Do the right thing!

2020

Consolidated and Separate Financial Statements for the financial year ended 31 December 2020

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

Banking that matters. | UniCredit

UniCredit Bank S.A.

Consolidated and Separate
Financial Statements
for the financial year ended
31 December 2020

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

Contents

Deloitte Audit S.R.L.
Clădirea The Mark Tower,
Calea Griviței nr. 82-98,
Sector 1, 010735
București, România

Tel: +40 21 222 16 61
Fax: +40 21 222 16 60
www.deloitte.ro

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
UniCredit Bank S.A.

Report on the Audit of the financial statements

Opinion

1. We have audited the separate and consolidated financial statements of UniCredit Bank S.A. (the "Bank") and its subsidiaries (together "the Group"), with registered office in 1F, Expozitiei Boulevard, District 1, Bucharest, Romania, identified by the unique tax registration code RO 361536 which comprise the separate and consolidated statement of financial position as at December 31, 2020, 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, 2020 are identified as follows:

Separate financial statements

• Equity	5,360,718 RON thousand
• Net profit for the financial year	403,662 RON thousand

Consolidated financial statements

• Equity	5,841,949 RON thousand
• Net profit for the financial year	503,933 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, 2020, 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 2020, 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 2020, 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 25,229,315 (net of the related impairment allowances amount to KRON 1,802,349) and Net lease receivables amounting to KRON 3,515,814 (net of the related impairment allowances amount to KRON 289,778). The Group exercises significant judgement using subjective assumptions over both when and how much to record as impairment for loans and advances to customers (including lease receivables). Since determination of appropriate impairment allowances for expected credit losses on loans and advances to customers (including lease receivables) requires use of complex models (generally dependent on IT elements) and significant judgement from the Management, process of measuring expected credit losses may be exposed to management bias. Because loans and advances to customers (including lease receivables) form a major portion of the Group's assets, and due to the significance of the Management professional judgments applied in classifying loans and advances to customers (including lease receivables) into various stages stipulated in IFRS 9 and determining related impairment requirements, this audit area is considered a key audit matter. Key areas of professional judgment exercised by the Management included: • the use of historic data in the process of determining risk parameters; • the interpretation of the requirements to determine receivables impairment under application of IFRS 9, which is reflected in the expected credit loss model; • assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customers; • timely identification of exposures with a significant increase in credit risk and credit impairment;	Based on our risk assessment and industry knowledge, with the support of our Credit risk experts, we have examined the impairment charges for loans and lease receivables and evaluated the methodology applied as well as the key assumptions and source data used by the Management according to the description of the key audit matter. Our procedures included the following elements: 1) Testing of key controls in respect of: • quality assurance of the source data used in developing professional judgements and ECL related models; • timely identification of impairment triggers, including significant increase in credit risk; • debtors' financial performance assessment and estimation of future cash flow; • the governance processes in place for credit models, inputs and overlays, review of ECLs and post model adjustments approval. 2) Obtaining and analysing the information to support the assumptions used in: • development of the models for computation of the key risk parameters (12 month Probability of default, Lifetime Probability of default and Loss Given Default), including procedures on the source data quality; • development of the expected credit loss models; • development and appropriateness of the stage allocation and criteria used for determination of significant increase in credit risk, including the impact of COVID-19 and allocation of exposures with granted moratorium; • development of models to reflect the potential impact of future economic conditions in the ECL computation, including the impact of COVID-19; • post-model adjustments for particular high-risk portfolios, captured in the expected credit loss model. As regards macroeconomic parameters, we assessed the analysis prepared by the Group's management as to the necessity to manually adjust macroeconomic and other parameters of the IFRS 9 model to fairly reflect the expected degree of defaults and recoverability of loans in the future. We tested the completeness, accuracy and validity of qualitative adjustments made to model and assessed key changes in high-risk portfolios since last year in relation to industry standards and historical data; • assessment of adequacy of Management analysis and adjustments resulting from the impact made by the COVID-19 virus crisis on all aspects of the estimation of Expected Credit Losses.

Nature of the area of focus	How our audit addressed the key audit matter
Collective impairment of loans and advances to customers	
• the increased level of uncertainty and level of subjectivity of management judgments relating to 2020 financial reporting due to the COVID-19 pandemic; • potential impact on the assumptions used, increases in credit risk and impairments, and future cash flows as a result of the socio-economic consequences of the COVID-19 virus crisis, including the public moratorium and other events; • the assessment of the forward-looking information, including the impact of the COVID-19 pandemic.	For all of the above procedures, we involved credit risk specialists to review the ECL model development, forward-looking models and code to test whether these appropriately reflected the Group's policies and methodologies. • Verifying the accurate implementation of the ECL computation methodology into the IT computation systems, including: • test the general IT controls related to the data sources and computations of ECL; • assessment on a sample basis of the credit quality and stage allocation; • test on a sample basis the ECL computations.
Interest and Fee Income Recognition	
Refer to Note 7 and 8 of the consolidated financial statements For the year ended 31 December 2020 the interest income represents KRON 1,759,217 and fee and commission income represents KRON 452,808, 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 loans and advances to customers and lease receivables; • 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 2020, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

   Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the separate and consolidated financial statements prepared as at 31 December 2020, 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.

Deloitte.

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Requirements for audits of public interest entities

15. We have been appointed by the General Assembly of Shareholders dated 11 April 2018 to audit the separate and consolidated financial statements of UniCredit Bank S.A. for the financial year ended December 31, 2020. The uninterrupted total duration of our commitment is 8 years, covering the financial years ended 31 December 2013 until the 31 December 2020.

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.

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

16. We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 on the European single electronic format ("ESEF Regulation") for the financial statements included in the annual financial report in ESEF format (the "digital files") prepared by UniCredit Bank S.A..

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

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

- the design, implementation and maintenance of internal control relevant to the application of the ESEF
- the selection and application of appropriate iXBRL mark ups using professional judgement where necessary;
- ensuring consistency between the digital files and the consolidated financial statements to be submitted in accordance with Order 27/2010;

Deloitte.

(II) Our Responsibility

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

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

- obtaining an understanding of UniCredit Bank S.A.'s process for preparation of the digital files in accordance with ESEF , including relevant internal controls;

- reconciling the digital files including the marked up data with the audited consolidated financial statements of UniCredit Bank S.A. to be submitted in accordance with Order 27/2010;

- evaluate if all financial statements contained in the consolidated annual report have been prepared in a valid XHTML format;

- Evaluating if all mark-ups, including the voluntary mark-ups of disclosures meet the following requirements:

    - the XBRL mark-up language is used
    - the elements of the core taxonomy specified in Annex VI of the ESEF Regulation with the closest accounting meaning shall be used, unless an extension taxonomy element is created in compliance with Annex IV of the ESEF Regulation
    - the mark-ups shall comply with the common rules on mark-ups as per ESEF Regulation.

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

Conclusion

In our opinion, the financial statements for the year ended 31 December 2020 included in the annual financial report in the digital files comply in all materials respects with the requirements of ESEF Regulation.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion relating to the consolidated financial statements of UniCredit Bank S.A. for the year ended 31 December 2020 is set out in the section Report on the audit of the consolidated financial statements above.

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
1 March 2021

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2020

In RON thousands	Note	Group 31.12.2020	Group 31.12.2019* Restated	Bank 31.12.2020	Bank 31.12.2019* Restated
Interest income		1,759,217	1,850,803	1,291,400	1,339,265
Interest expense		(450,551)	(526,573)	(302,569)	(378,152)
Net interest income	7	**1,308,666**	**1,324,230**	**988,831**	**961,113**
Fee and commission income		452,808	454,938	410,571	424,480
Fee and commission expense		(146,202)	(138,481)	(137,976)	(127,476)
Net fee and commission income	8	**306,606**	**316,457**	**272,595**	**297,004**
Net income from instruments at fair value through profit and loss	9	305,186	360,345	305,188	360,345
Net gain/(loss) from foreign exchange		81,240	96,215	68,079	83,747
Fair value adjustments in hedge accounting		(2,504)	1,831	(2,504)	1,831
Net gain/(loss) from derecognition of financial assets measured at amortised cost*		11,606	40,054	4,999	22,709
Net gain/(loss) from derecognition of financial assets measured at FVTOCI*		47,322	11,841	47,322	11,841
Dividend income	10	1,972	1,971	1,972	1,971
Other operating income		18,719	9,961	11,252	6,810
Operating income		**2,078,813**	**2,162,905**	**1,697,734**	**1,747,371**
Personnel expenses	11	(428,668)	(421,876)	(376,092)	(367,480)
Depreciation and impairment of tangible assets	12	(98,735)	(95,246)	(90,868)	(89,633)
Amortization and impairment of intangible assets	12	(51,970)	(57,049)	(47,482)	(50,484)
Other administrative costs	13	(303,855)	(377,120)	(279,729)	(344,931)
Other operating costs	14	(21,709)	(23,002)	(10,973)	(11,810)
Operating expenses		**(904,937)**	**(974,293)**	**(805,144)**	**(864,338)**
Net operating income		**1,173,876**	**1,188,612**	**892,590**	**883,033**
Net impairment losses on financial assets*	15	(510,918)	(387,019)	(366,461)	(190,853)
Losses on modification of financial assets*		(2,673)	(304)	(2,673)	(304)
Net impairment losses on non-financial assets		(5,527)	(396)	(5,527)	(396)
Net provision gains/ (losses)	16	19,910	(33,209)	27,343	(14,165)
Net gains/(loss) from other investment activities	17	-	1,249	-	-
Profit before tax		**674,668**	**768,933**	**545,272**	**677,315**
Income tax expense	18	(170,735)	(131,358)	(141,610)	(104,395)
Net profit for the year		**503,933**	**637,575**	**403,662**	**572,920**
Attributable to:					
Equity holders of the parent company		492,974	643,482	-	-
Non-controlling interests		10,959	(5,907)	-	-
Net profit for the year		**503,933**	**637,575**	**-**	**-**

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

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2020

In RON thousands	Note	Group 31.12.2020	Group 31.12.2019* Restated	Bank 31.12.2020	Bank 31.12.2019* Restated
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Re-measurement of defined benefit liability		(1,134)	-	(1,134)	-
Revaluation of property, plant and equipment*	29iii)	(87)	3,475	(87)	3,475
Movement in investment revaluation reserve for equity instruments at FVTOCI*	29i)	144	(332)	144	(332)
Income tax relating to items that will not be reclassified subsequently to profit or loss*		285	(559)	285	(559)
Total items that will not be reclassified subsequently to profit or loss		**(792)**	**2,584**	**(792)**	**2,584**
Items that may be reclassified subsequently to profit or loss					
Movement in reserve for debt instruments at FVTOCI:					
Gains/(losses) arising during the period*	29i)	151,437	143,761	151,437	143,761
Reclassification of (gains)/losses included in profit or loss*	29i)	(47,322)	(11,841)	(47,322)	(11,841)
Net changes in cash flow hedging reserve:					
Gains/(losses) arising during the period*	29ii)	726	(3,396)	726	(3,396)
Reclassification of (gains)/losses included in profit or loss*	29ii)	931	88	931	88
Income tax relating to items that may be reclassified subsequently to profit or loss*		(16,923)	(22,212)	(16,923)	(22,212)
Total items that may be reclassified subsequently to profit or loss		**88,849**	**106,400**	**88,849**	**106,400**
Other comprehensive income for the year, net of tax		**88,057**	**108,984**	**88,057**	**108,984**
Total comprehensive income for the year		**591,990**	**746,559**	**491,719**	**681,904**
Attributable to:					
Shareholders of parent – company		581,031	752,466	-	-
Non-controlling interests		10,959	(5,907)	-	-

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

The consolidated and separate financial statements were approved by the Management Board on February 24, 2021 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

In RON thousands	Note	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
Assets:					
Cash and cash equivalents	19	12,236,808	11,693,894	12,229,614	11,693,863
Financial assets at fair value through profit or loss	20	555,337	267,990	555,337	267,990
Loans and advances to banks at amortized cost	21	212,130	572,567	212,130	572,567
Loans and advances to customers at amortized cost	22	25,229,315	26,013,805	22,286,540	22,483,263
Net lease receivables	23	3,515,814	3,323,516	-	-
Debt instruments at amortized cost	25	6,148,138	-	6,148,138	-
Other financial assets at amortized cost	30	143,440	142,810	117,695	100,767
Financial assets at fair value through other comprehensive income	24	3,020,373	8,614,640	3,018,027	8,612,294
Investment in subsidiaries	26	-	-	143,116	143,116
Property, plant and equipment	27	215,505	200,368	205,101	188,613
Right of use assets	44	198,789	174,235	189,896	160,445
Intangible assets	28	245,934	196,284	231,976	186,516
Current tax assets		858	2,848	-	2,848
Deferred tax assets	29	119,797	132,466	41,246	60,809
Other assets	30	126,302	191,185	66,942	68,066
Total assets		**51,968,540**	**51,526,608**	**45,445,758**	**44,541,157**
Liabilities:					
Financial liabilities at fair value through profit or loss	20	73,017	73,969	73,017	73,969
Derivatives liabilities designated as hedging instruments	31	81,216	114,852	81,216	114,852
Deposits from banks	32	595,076	1,666,287	595,076	1,666,287
Loans from banks and other financial institutions at amortized cost	33	5,564,667	6,483,236	778,203	795,267
Deposits from customers	34	35,772,365	33,938,950	36,259,081	34,706,764
Debt securities issued	35	1,922,036	2,044,046	470,747	621,823
Other financial liabilities at amortized cost	38	518,044	391,071	453,359	340,562
Subordinated liabilities	36	929,593	912,449	822,466	807,304
Lease liabilities	44	196,836	163,898	192,717	158,752
Current tax liabilities		6,801	2,699	969	-
Provisions	37	223,576	240,959	193,874	218,819
Other non-financial liabilities	38	243,364	251,401	164,315	167,708
Total liabilities		**46,126,591**	**46,283,817**	**40,085,040**	**39,672,107**

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 December 2020

		Group		Bank	
In RON thousands	Note	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Equity					
Share capital	39	1,177,748	1,177,748	1,177,748	1,177,748
Share premium account	39	621,680	621,680	621,680	621,680
Cash flow hedging reserve		(46,441)	(47,833)	(46,441)	(47,833)
Reserve on financial assets at fair value through other comprehensive income		107,908	20,330	107,908	20,330
Revaluation reserve on property, plant and equipment		12,722	12,682	12,722	12,682
Other reserves	40	325,516	298,289	325,516	298,289
Retained earnings		3,521,959	3,050,001	3,161,585	2,786,154
Total equity for parent company		**5,721,092**	**5,132,897**	**5,360,718**	**4,869,050**
Non-controlling interest		120,857	109,894	-	-
Total equity		**5,841,949**	**5,242,791**	**5,360,718**	**4,869,050**
Total liabilities and equity		**51,968,540**	**51,526,608**	**45,445,758**	**44,541,157**

The consolidated and separate financial statements were approved by the Management Board on February 24, 2021 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

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

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

The consolidated and separate financial statements were approved by the Management Board on February 24, 2021 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 fair value of financial assets 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)
Total other comprehensive income	**-**	**108,900**	**(2,779)**	**2,863**	**-**	**-**	**-**	**108,984**	**-**	**108,984**
Total comprehensive income for the year	**-**	**108,900**	**(2,779)**	**2,863**	**-**	**-**	**643,482**	**752,466**	**(5,907)**	**746,559**
Transfer to other reserves*	-	-	-	-	27,258	-	(27,258)	-	-	-
Dividends distributed*	-	-	-	-	-	-	(360,749)	(360,749)	-	(360,749)
Other movements	-	-	-	-	-	-	(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 proposed 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, and to reinvest of the net profit remained undistributed amounting to 544,740 RON thousands.*

The consolidated and separate financial statements were approved by the Management Board on February 24, 2021 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

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

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

The consolidated and separate financial statements were approved by the Management Board on February 24, 2021 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

31.12.2019		Bank						
In RON thousands	Share capital	Reserve on financial assets at fair value through other comprehensive income	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total
Balance at 31 December 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 fair value of financial assets through other comprehensive income, net of tax	-	108,900	-	-	-	-	-	108,900
Net change in cash flow hedging reserve, net of tax	-	-	(2,779)	-	-	-	-	(2,779)
Total other comprehensive income	**-**	**108,900**	**(2,779)**	**2,863**	**-**	**-**	**-**	**108,984**
Total comprehensive income for the year	**-**	**108,900**	**(2,779)**	**2,863**	**-**	**-**	**572,920**	**681,904**
Transfer to other reserves*	-	-	-	-	27,258	-	(27,258)	-
Dividends distributed*	-	-	-	-	-	-	(360,749)	(360,749)
Other movements	-	-	-	-	-	-	(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 proposed 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, and to reinvest of the net profit remained undistributed amounting to 544,740 RON thousands..*

The consolidated and separate financial statements were approved by the Management Board on February 24, 2021 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

In RON thousands	Note	Group 31.12.2020	Group 31.12.2019* Restated	Bank 31.12.2020	Bank 31.12.2019* Restated
Profit for the year before tax	18	674,668	768,933	545,272	677,315
Adjustments for non-cash items:					
Depreciation and amortization of property, plant and equipment and of intangible assets	12	150,705	152,295	138,350	140,117
Net impairment losses on financial assets		589,416	462,203	422,702	271,109
Fair value loss/(gain) on derivatives and other financial assets held for trading		(10,990)	4,451	(10,990)	4,412
Other items for which the cash effects are investing or financing		109,922	(14,592)	15,082	(13,343)
Other non–cash items*		(165,262)	214,681	(245,346)	20,227
Operating profit before changes in operating assets and liabilities*		**1,348,459**	**1,587,971**	**865,070**	**1,099,837**
Change in operating assets:					
Decrease/(Increase) in financial assets at fair value through profit and loss/other comprehensive income		5,349,788	(1,043,849)	5,349,788	(1,043,850)
Acquisition of debt instruments at amortized cost		(6,036,170)	-	(6,036,170)	-
Decrease in loans and advances to banks		357,915	1,322,993	358,329	1,322,993
Decrease/(Increase) in loans and advances to customers		318,117	(1,749,209)	(112,123)	(1,690,780)
Increase in lease investments		(270,099)	(424,994)	-	-
Decrease/(Increase) in other assets		43,459	37,821	(26,004)	36,117
Change in operating liabilities:					
Decrease in deposits from banks		(1,071,026)	(2,090,967)	(1,071,026)	(2,090,967)
Increase in deposits from customers		1,764,033	4,190,791	1,482,935	4,610,789
Increase/(Decrease) in other liabilities		129,038	(99,835)	108,838	(27,040)
Income tax paid		(168,279)	(188,727)	(135,390)	(155,469)
Net cash from operating activities*		**1,765,235**	**1,541,995**	**784,247**	**2,061,630**
Investing activities					
Proceeds on disposal of property, plant and equipment		311	1	-	1
Acquisition of property, plant and equipment and intangible assets		(149,257)	(141,045)	(141,175)	(133,563)
Proceeds from non-current assets and disposal groups classified as held for sale		-	6,000	-	-
Dividends received		2,462	2,211	2,462	2,211
Net cash used in investing activities		**(146,484)**	**(132,833)**	**(138,713)**	**(131,351)**

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

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 December 2020

	Note	Group 31.12.2020	Group 31.12.2019* Restated	Bank 31.12.2020	Bank 31.12.2019* Restated
Financing activities					
Dividends paid		(490)	(357,421)	(490)	(357,421)
Payments of bonds issued		(154,146)	-	(146,000)	-
Proceeds from bonds issued		-	1,411,004	-	-
Repayments of loans from financial institutions		(2,507,888)	(4,034,241)	(245,879)	(298,108)
Drawdowns from loans from financial institutions		1,522,235	2,848,271	217,775	-
Repayment of the lease liabilities**	44	(57,442)	(56,788)	(57,000)	(54,776)
Net cash used in financing activities		**(1,197,731)**	**(189,175)**	**(231,594)**	**(710,305)**
Net increase in cash and cash equivalents*		**421,020**	**1,219,987**	**413,940**	**1,219,974**
Cash and cash equivalents at 1 January - gross value		**11,698,460**	**10,285,157**	**11,698,363**	**10,285,073**
Effect of foreign exchange rate changes*		122,583	193,316	122,569	193,316
Cash and cash equivalents at 31 December - gross value	19	**12,242,063**	**11,698,460**	**12,234,872**	**11,698,363**
Impairment allowance		(5,255)	(4,566)	(5,258)	(4,500)
Cash and cash equivalents at 31 December -net value	19	**12,236,808**	**11,693,894**	**12,229,614**	**11,693,863**

** The comparative information has been restated as described in note 3*
***The “Repayment of the lease liabilities” caption includes for 31.12.2019 both principal in amount of 54,831 RON thousands for the Group/53,089 RON thousands for the Bank, and interest in amount of 1,957 RON thousands for the Group/1,687 RON thousands for the Bank.*

	Note	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
Cash flow from operating activities include:					
Interest received		1,759,448	1,811,688	1,274,465	1,316,448
Interest paid		(451,235)	(543,190)	(314,748)	(402,071)

The consolidated and separate financial statements were approved by the Management Board on February 24, 2021 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") and UniCredit Insurance Broker S.R.L. ("UCIB"). These consolidated financial statements comprise the Bank and its subsidiaries.

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

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

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

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

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

As of 31 December 2020 the Group carried out its activity in Romania through its Head Office located in Bucharest and through its network, having 148 branches (31 December 2019: 146) in Bucharest and in the country.

2. BASIS OF PREPARATION

a. Statement of compliance

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

b. Basis of measurement

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

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

c. Functional and presentation currency

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

d. Use of estimates and judgements

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

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

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

e. Foreign currency

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

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

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

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

The exchange rates of major foreign currencies were:

Currencies	31 December 2020	31 December 2019	Variation
Euro (EUR)	1: RON 4.8694	1: RON 4.7793	1.89%
Dollar USA (USD)	1: RON 3.9660	1: RON 4.2608	-6.92%

2. BASIS OF PREPARATION *(continued)*

f. Accounting for the effect of hyperinflation

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

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

g. Basis of consolidation

Subsidiaries

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

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

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

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

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

On 13 December 2019, the Supervisory Board of UniCredit Leasing Corporation IFN approved the acquisition of the 3,000 social parts issued by UniCredit Insurance Broker SRL from the shareholder UniCredit Insurance Management CEE GmbH (2,999 shares) and from the shareholder Pirta Verwaltungs GmbH (1 share), both members of parent company UniCredit SpA. Following the approval of the transaction by the Financial Supervisory Authority in December 2020, and the subsequent registration of the transfer with Trade Registry, the social parts were transferred and as a result, UniCredit Insurance Broker S.R.L. ("UCIB") became a subsidiary of the Bank beginning with 31 December 2020.

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

The financial statements of "UCIB" – the new subsidiary of the Bank starting with 31 December 2020 – are consolidated according with IFRS 3.B1 exemption in respect of business combinations of entities under common control, using the pooling of interest method:

- for Financial Position statement: the carrying amount of assets and liabilities of UCIB are included in the consolidated balance sheet based on the individual Financial Statements prepared for 31 December 2020;
- for Comprehensive Income and Cash Flow statements: revenues and expenses, respectively cash inflows and outflows of UCIB are not consolidated, considering that the acquisition date is 31 December 2020.

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 2019 in order to ensure the comparability of the data and information with the current year presentation, as presented below:

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

(i) "Net income on disposal of financial assets and liabilities which are not at fair value through profit or loss" caption in amount of 51,895 RON thousands for the Group/ 34,550 RON thousands for the Bank, was split between:

- "Net gain/(loss) from derecognition of financial assets measured at amortised cost" caption in amount of 40,054 RON thousands for the Group/ 22,709 RON thousands for the Bank;
- "Net gain/(loss) from derecognition of financial assets measured at FVTOCI" caption in amount of 11,841 RON thousands for the Group/Bank;

(ii) "Net impairment losses on financial assets" caption in amount of -387,323 RON thousands for the Group/ -191,157 RON thousands for the Bank, was split between:

- "Net impairment losses on financial assets" caption in amount of -387,019 RON thousands for the Group/ -190,853 RON thousands for the Bank;
- "Losses on modification of financial assets" caption in amount of 304 RON thousands for the Group/Bank;

(iii) "Revaluation of property, plant and equipment (net of deferred tax)" caption in amount of 2,863 RON thousands for the Group/Bank and "Net change in fair value of financial assets through other comprehensive income – equity (net of deferred tax)" caption in amount of -279 RON thousands for the Group/Bank, was split between:

- "Revaluation of property, plant and equipment" caption in amount of 3,475 RON thousands for the Group/Bank;
- "Movement in investment revaluation reserve for equity instruments at FVTOCI" caption in amount of -332 RON thousands for the Group/Bank;
- "Income tax relating to items that will not be reclassified subsequently to profit or loss" caption in amount of -559 RON thousands for the Group/Bank;

(iv) "Net change in fair value of financial assets through other comprehensive income – debt instruments (net of deferred tax)" caption in amount of 109,179 RON thousands for the Group/Bank and "Net changes in cash flow hedging reserve (net of deferred tax)" caption in amount of -2,779 RON thousands for the Group/Bank, was split between:

- "Movement in reserve for debt instruments at FVTOCI" - Gains/(losses) arising during the period" caption in amount of 143,761 RON thousands for the Group/Bank and "Reclassification of (gains)/losses included in profit or loss" caption in amount of -11,841 RON thousands for the Group/Bank;
- "Net changes in cash flow hedging reserve" - "Gains/(losses) arising during the period" caption in amount of -3,396 RON thousands for the Group/Bank and "Reclassification of (gains)/losses included in profit or loss" caption in amount of 88 RON thousands for the Group/Bank;
- "Income tax relating to items that may be reclassified subsequently to profit or loss" caption in amount of -22,212 RON thousands for the Group/Bank;

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

The Group started to disclose separately in the cash flow statements the "Effect of foreign exchange rate changes", thus several positions having FX impact have been restated also for the previous year cash flow:

(i) The amount of "Other non–cash items" caption has been recalculated at value of 214,681 RON thousands for the Group/ 20,227 RON thousands for the Bank, versus the value of 407,997 RON thousands for the Group/ 213,543 RON thousands for the Bank previously presented;

(ii) The amount of "Operating profit before changes in operating assets and liabilities" caption has been recalculated at value of 1,587,971 RON thousands for the Group/ 1,099,837 RON thousands for the Bank as against of value of 1,781,287 RON thousands for the Group/ 1,293,153 RON thousands for the Bank previously presented;

(iii) The amount of "Net cash from operating activities" caption has been recalculated at value of 1,541,995 RON thousands for the Group/ 2,061,630 RON thousands for the Bank, versus the value of 1,735,311 RON thousands for the Group/ 2,254,946 RON thousands for the Bank previously presented;

(iv) The amount of "Net increase in cash and cash equivalents" caption has been recalculated at the value of 1,219,987 RON thousands for the Group/ 1,219,974 RON thousands for the Bank, versus the value of 1,413,303 RON thousands for the Group/ 1,413,290 RON thousands for the Bank previously presented;

(v) The amount of "Effect of foreign exchange rate changes" caption has been recalculated at value of 193,316 RON thousands for the Group/Bank, while no value was previously presented for the Group/Bank.

a. Financial instruments – initial recognition and initial measurement

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

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

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

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

b. Financial instruments - Classification

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Financial instruments - Classification *(continued)*

Financial assets

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

Financial liabilities

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

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

(i) Financial assets held for trading

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

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

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

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

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

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

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:

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)*

- 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 2020 and 31 December 2019: held for trading financial instruments, derivative assets and derivative liabilities incurred in transactions with customers and economically covered with back - to - back transactions within UniCredit SpA Group.

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

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

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

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

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

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

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

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 of 31 December 2020 and 31 December 2019, 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 (FVTPL) the portfolio of VISA Inc Serias A and Series C preferred shares. The fair value is estimated using the methodology provided by the parent company UniCredit SpA and is based on the closing price of VISA Inc. common shares quoted on New York Stock Exchange. VISA Inc shares class *C were classified as "Debt Instruments – Financial assets at fair value through profit and loss"*. Please see note 3.o and note 20 for presentation and additional details.

b2. Financial assets and financial liabilities at amortized cost

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Financial instruments - Classification *(continued)*

b2. Financial assets and financial liabilities at amortized cost

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.

Starting 3 of April, 2020, the Bank updated its business model for securities including an additional business model, "held to collect" – "HTC", for fixed income portfolio**.** The addition of a new business model is sustained by the current profile of the holdings pertaining to the Replicating Portfolio, as the respective financial assets are associated to a particular product (Free funds and Non-maturing deposits) and the intention of the Bank is to hold those financial assets until maturity, designating them for the purpose of stabilizing the net interest income of the Bank in a multiyear horizon.

Following the creation of new HTC, the fixed income portfolio is split as follows:

a) FVTPL bonds held with the intention to realize FV changes by actively benefiting from short term market volatility (Trade);

b) FVTOCI bonds held for liquidity management needs and to optimize the interest income stream, where sales can be performed in order to optimize the liquidity position and/or yield, as well as to meet the legal obligations as primary dealer on the market. (Hold to collect & Sell);

c) HTC having the characteristics mentioned above.

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

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

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

b3. Financial assets at fair value through comprehensive income

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Financial instruments - Classification *(continued)*

b3. Financial assets at fair value through comprehensive income *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f. Fair value measurement *(continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(i) General topics (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

EBA has defined as "Non-Performing" exposures that meet one or both of the following criteria:

- material exposures more than 90 days past due;
- exposures for which the bank values that is unlikely that the debtor would pay in full his credit obligations without recurring to enforcement and realization of collaterals, regardless of past due exposures and the number of days the exposure is past due;
- unpaid amount/instalments;

The Group has carried out an extensive project, under the coordination of the UniCredit SpA Group, in order to implement starting with 2021, the new definition of default (new DoD), in accordance with the requirements of EBA Guide GL / 2016/07 on the application of the definition of default and in conjunction with the requirements of the National Bank of Romania Regulation no. 5/2013 on prudential requirements for credit institutions, with subsequent amendments and completions.

As a first step, 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.

The significance threshold of the obligations were fully alligned also for non retail segment in January 2021.

Thresholds as per new definition of default (defined at local banking system level) are considered to be:

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.

Based on the November perimeter results the Group estimated the effect of portfolio shift from Performing to Non-Performing (NPE) Status according to new definition of default and quantified the total Expected Credit Losses (ECL) increasing amount. The ECL for the New NPE was computed leveraging to the existing Stage 3 provisioning approach as these transactions would have been classified in Stage 3 if the New DoD had been in place at the end of year 2020. The Profit and Loss account impact taken in December figures was of 27 MRON (out of which: Bank 10MRON, UCLC 13.5 MRON, UCFIN 3.5 MRON).

Although the Profit and Loss impact coming from additional ECL was taken into 2020 financial statements, in what regards the final step of new definition of default requirements (reclassification in NPE and implementation of new internal model recalibrated with new definition of default), this is to be applied within the beginning of 2021 in alignment with Joint Supervisory Team (JST) Regulators' approval.

Regarding new definition of default quantification (internal PD models recalibrated with new definition of default), this is also considered within 2020 results with an impact of ECL increase of approx. 55 MRON on Group local subsidiaries (UCLC and UCFIN), with no material impact on the Bank side.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

During 2020 new internal models in respect of Exposure at Default and Loss Given Default (considering also recalibration with new definition of default) have been developed on Bank local models' portfolios and implemented within ECL computation, leading to additional ECL of approx. 55 MRON in Profit and Loss account. The most significant change performed was in respect of Loss Given Default where an LGD overall concept framework has been implemented in case of local models portfolios (which capture the historical recoveries within 2008-2018 period).

Regarding the group wide models portfolio (multinationals, banks and sovereign), no methodological updates have been performed during 2020.

(iii) Prospective information for the calculation of value adjustments

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

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

In particular, UniCredit Group has selected three macroeconomic scenarios to determine the forward looking component, a baseline scenario, a positive scenario and a negative scenario. The probabilities are set at 55% for the baseline scenario, 40% for the negative (pandemic "mild") scenario and 5% for the positive scenario.

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 speed of the roll-out of vaccines and their effectiveness will play a crucial role in shaping the growth trajectory in 2021-2023. The above probabilities reflect the assumption that the distribution of vaccines will not hit any major supply-side bottlenecks, that a sufficiently large share of the population will be willing to get their shots, and that immunity will not prove short lived.

In the baseline scenario (55% probability), a high number of COVID-19 cases and restrictions to mobility and business activity across Europe will see output fall around the turn of the year. However, strong support from fiscal policy will mitigate the impact on jobs and incomes, while the ECB will keep "controlling" yield curves, hence preserving favorable financial conditions. Economic growth is seen bouncing back in the spring of 2021 as milder weather allows government to loosen some of the restrictions, while the distribution of effective vaccines and new treatments to suppress virus transmission will support confidence and activity more clearly starting at around mid-2021. As the public health situation improves and confidence returns, households run down some of the savings accumulated during the crisis, thus boosting consumer spending. Overall, the major economies would be on track for solid growth in 2021. However, the output gap will keep inflationary pressure subdued and clearly below central banks' targets throughout the forecasting horizon, thus allowing monetary policy to remain very accommodative. ECB is likely to leave policy rates on hold through 2023 and probably beyond. In the Eurozone, the pandemic emergency purchase program (PEPP) and targeted longer-term refinancing operations (TLTRO) with very favourable terms are likely to continue well into 2022.

The probability of "Pandemic" is assumed to be 40%. In this scenario, Europe will face a further wave of the pandemic at the beginning of 2021, while the US will have to deal with a persistently high number of infections that will force the new administration to introduce tight restrictions to mobility and business activity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Economies start reopening in spring 2021 as some of the containment measures are loosened amid milder weather conditions. However, the roll-out of vaccines is slower than assumed in the baseline scenario, initially due to bottlenecks in the process and, later on, because a relatively large share of the population is reluctant to get their shot. Therefore, herd immunity is only reached towards the end of the three-year forecasting horizon. Given these assumptions, the COVID-19 crisis dampens private demand by more than assumed in the baseline scenario, and scarring effects are larger. Governments will continue to push ahead with expansionary policies to mitigate the effects of the pandemic and to preserve social stability. The ECB is expected to remain in the market with the PEPP and TLTRO with generous conditions throughout 2023. This allows preserving generally favorable financial conditions despite the further build-up of debt in the public and private sectors.

The probability of "Positive" is assumed to be 5%. In this scenario, the expected roll-out of vaccines (along with new medical treatments) boosts confidence and GDP over the forecasting horizon by more than we project in the

baseline scenario. While the picture for 2021 remains in line with the baseline projections, the pace of recovery in 2022 turns out to be materially stronger as households continue to reduce precautionary savings while firms resume investment plans that have been put on hold. Driven by pent-up demand, GDP is back to its pre-pandemic trend level by the end of 2022. Governments progressively scale back their support measures and there is less need for monetary policy to remain very expansionary, although policy rates are still seen on hold through 2023 both in the US and in the euro area.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

j. Interest

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

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

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

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

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

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

k. Fees and commissions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k. Fees and commissions *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m. Dividends

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

n. Leases

Finance lease contracts where the Group is the lessor that substantially transfer all risks and benefits related to ownership over the leased asset to the lessee, are accounted for in accordance with 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, IFRS16 provides for all types of leases the recognition of an asset representing the right of use of the underlying asset, at the same time as recognizing a liability for future payments resulting from the lease contract.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

n. Leases *(continued)*

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

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

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

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

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 and over UniCredit Insurance Broker S.R.L. ("UCIB"), insurance brokerage entity, directly controlled by UCLC, holding 100% starting with December 2020.

(ii) Investment in associates

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

The Group has no investment in associates as of 31 December 2020 and as of 31 December 2019.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o. Equity investments *(continued)*

(iii) Equity instruments

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

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

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

p. Income tax

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

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

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

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

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

The corporate tax rate used to calculate the current and deferred tax was 16% at 31 December 2020 (31 December 2019: 16%).

q. Offsetting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

r. Cash and cash equivalents

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

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

s. Property and equipment

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

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

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

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

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

(iii) Subsequent costs

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

(iv) Depreciation

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

The estimated rates of depreciation are as follows:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

t. Intangible assets

(i) Recognition

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

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortisation

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

The estimated useful lives are:

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

u. Impairment of non – financial assets

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

v. Provisions

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

w. Financial guarantees and loan commitments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

x. Employee benefits

(i) Short term service benefits

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

(ii) Other long-term employee benefits

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

(iii) Share-based payment transactions

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

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

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

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

(iv) Termination benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

y. Segment reporting

An operating segment is a component of an entity:

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

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

(c) for which discrete financial information is available.

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

z. New Standards and Interpretations

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

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

- Amendments to **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 3 "Business Combinations"** - Definition of a Business - adopted by the EU on 21 April 2020 (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 **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 **IFRS 16 "Leases"** - Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting 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).

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

z. New Standards and Interpretations *(continued)*

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to **IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023);
- Amendments to **IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022);
- Amendments to **IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- Amendments to **IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022);
- Amendments to **IFRS 10 "Consolidated Financial Statements"** and **IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);
- Amendments to various standards due to **"Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

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

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

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

4. RISK MANAGEMENT

a) Introduction and overview

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

The Group has exposure to the following significant risks:

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

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

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

b) Risk management framework

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

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

The risks management within the Group implies:

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

4. RISK MANAGEMENT *(continued)*

b) Risk management framework (*continued)*

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

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

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

The framework for risk management is based on:

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

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

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

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

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

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

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

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk

(i) Credit risk management

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

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

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

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

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

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(ii) Forward looking information:

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most – likely outcome and consists of information used by the Group for strategic planning and budgeting.

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

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

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

In order to better capture the peculiarity of Covid-19 scenario and the specific dynamic of each sector, the Bank estimated (based on the November perimeter results) the implementation of an enhanced methodology – Forward Looking Information per industries - that introduced an adjustment factor directly in the Point in Time and Forward-Looking (PIT\FLI) PD curves, thus, automatically affecting not only the ECL result but also staging migration. Portfolios affected by industry view are mid-corporate and small business entities. The impact as of December 2020 was 24.7 MRON on ECL in Profit and Loss account. The most impacted industries are wholesale trade and real estate.

Forward Looking Information concept per industries has been implemented in a similar methodological level within the entire UniCredit SpA Group, leveraging at the end of the year 2020 with priority on the most significant portfolios. At local level, 2020 implementation included Bank portfolio, which is to be followed by an implementation also to Leasing portfolio during 2021 (no further impact on UCFIN considering the peculiarity of the portfolio with only consumer finance retail individuals).

(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") and UniCredit Leasing ("UCLC") 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 2020					
Gross exposure	**30,499,910**	**9,583,400**	**2,220,730**	**22,967**	**42,304,040**
On balance	18,020,907	7,086,604	1,924,153	22,967	27,031,664
Off balance	12,479,003	2,496,796	296,577	-	15,272,376
Allowance for impairment	**(145,712)**	**(388,962)**	**(1,443,133)**	**(3,519)**	**(1,977,807)**
On balance	(132,275)	(355,093)	(1,314,981)	(3,519)	(1,802,349)
Off balance	(13,437)	(33,869)	(128,152)	-	(175,458)
Carrying amount	**30,354,198**	**9,194,438**	**777,597**	**19,448**	**40,326,233**
On balance	17,888,632	6,731,511	609,172	19,448	25,229,315
Off balance*	12,465,566	2,462,927	168,425	-	15,096,918
As of 31st of December 2019					
Gross exposure	**34,482,139**	**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	**(132,880)**	**(59,132)**	**(1,581,214)**	**(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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

RON thousands	Bank Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
As of 31st of December 2020					
Gross exposure	**27,375,882**	**9,154,752**	**2,013,115**	**22,967**	**38,543,749**
On balance	15,422,207	6,685,083	1,733,525	22,967	23,840,815
Off balance	11,953,675	2,469,669	279,590	-	14,702,934
Allowance for impairment	**(96,791)**	**(325,637)**	**(1,308,010)**	**(3,519)**	**(1,730,438)**
On balance	(85,501)	(287,651)	(1,181,123)	(3,519)	(1,554,275)
Off balance	(11,290)	(37,986)	(126,887)	-	(176,163)
Carrying amount	**27,279,091**	**8,829,115**	**705,105**	**19,448**	**36,813,311**
On balance	15,336,706	6,397,432	552,402	19,448	22,286,540
Off balance*	11,942,385	2,431,683	152,703	-	14,526,771
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

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

- **Lease receivables, on and off balance– Asset 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 2020					
Gross exposure	**3,224,802**	**333,497**	**339,997**	**-**	**3,898,296**
On balance	3,134,267	333,132	338,193	-	3,805,592
Off balance	90,535	365	1,804	-	92,704
Allowance for impairment	**(69,929)**	**(45,178)**	**(175,947)**	**-**	**(291,054)**
On balance	(68,893)	(45,176)	(175,709)	-	(289,778)
Off balance	(1,036)	(2)	(238)	-	(1,276)
Carrying amount	**3,154,873**	**288,319**	**164,050**	**-**	**3,607,242**
On balance	3,065,374	287,956	162,484	-	3,515,814
Off balance*	89,499	363	1,566	-	91,428
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

**) 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)*

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

2019	Group				
RON thousands	Total out of which*:	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 represent mainly immovable properties, movables assets (equipment and vehicles) and cash collaterals, which can be subject to a real guarantee/mortgage.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

2019 RON thousands	Group Total out of which:	Corporate	SME	Private Individuals	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)*

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.

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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 represent mainly immovable properties, movables assets (equipment and vehicles) and cash collaterals, which can be subject to a real guarantee/mortgage.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

2019	Bank				
RON thousands	Total out of which:	Corporate	SME	Private Individuals	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 issued					
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)*

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.

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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
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**
Vehicles and equipment	39,416	-	38,554	861
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**	**3,004,722**	**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)*

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

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

2019	UCLC (Unicredit Leasing Corporation)			
RON thousands	Total out of which:	Corporate	SME	Private Individuals
Off balance - Loan commitments				
Stage 1	124,611	23,642	99,590	1,379
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.*

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.

2020 RON thousands			Group		
Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	2,971,602	315,129	-	-	3,286,731
Grades 4-6: performing (medium risk)	14,402,117	4,600,077	-	-	19,002,194
Grades 7-8 : performing (in observation & substandard)	642,783	2,159,233	-	19,861	2,802,016
Grade 8 : impaired	-	-	1,629,350	3,106	1,629,350
Grade 9: impaired	-	-	113,853	-	113,853
Grade 10: impaired	-	-	180,950	-	180,950
Unrated	4,405	12,165	-	-	16,570
Total gross amount	**18,020,907**	**7,086,604**	**1,924,153**	**22,967**	**27,031,664**
Loss allowance	(132,275)	(355,093)	(1,314,981)	(3,519)	(1,802,349)
Carrying amount	**17,888,632**	**6,731,511**	**609,172**	**19,448**	**25,229,315**

2019 RON thousands			Group		
Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	3,556,836	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**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

2020 RON thousands Loans and advances to customers at amortized cost (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Group Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	4,241,584	431,773	5,613	-	4,678,970
Grades 4-6: performing (medium risk)	7,973,551	1,390,566	-	-	9,364,117
Grades 7-8 : performing (in observation & substandard)	259,621	666,131	-	-	925,752
Grade 8 : impaired	-	-	261,068	-	261,068
Grade 9: impaired	-	-	29,699	-	29,699
Grade 10: impaired	-	-	197	-	197
Unrated	4,247	8,326	-	-	12,573
Total gross amount	**12,479,003**	**2,496,796**	**296,577**	**-**	**15,272,376**
Loss allowance	(13,437)	(33,869)	(128,152)	-	(175,458)
Carrying amount*	**12,465,566**	**2,462,927**	**168,425**	**-**	**15,096,918**

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

2019 RON thousands Loans and advances to customers at amortized cost (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Group 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**	**1,597,996**	**93,604**	**-**	**13,846,066**

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2019 RON thousands	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**
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**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

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

2019 RON thousands			Bank		
Loans and advances to customers at amortized cost (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	4,045,433	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.*

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2019 In RON thousands Lease receivables (on balance)	UCLC (Unicredit Leasing Corporation) Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
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
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	**2,984,730**	**239,376**	**99,410**	**-**	**3,323,516**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

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

2019 In RON thousands	UCLC (Unicredit Leasing Corporation)				
Lease receivables (off balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	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
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.*

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.

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

2019 RON thousands			Group / Bank		
Loans and advances to banks at amortized cost	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	572,918	-	-	-	572,918
Total gross amount	**572,918**	**-**	**-**	**-**	**572,918**
Loss allowance	(351)	-	-	-	(351)
Carrying amount	**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**

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.

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

2019 RON thousands Financial assets at fair value through other comprehensive income	Group 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
Total gross amount	**8,621,164**	**-**	**-**	**-**	**8,621,164**
Loss allowance	(6,524)	-	-	-	(6,524)
Carrying amount	**8,614,640**	**-**	**-**	**-**	**8,614,640**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

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

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

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

The table above is the same also for the Bank.

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

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

Group			
Loans to customers at amortised cost - ON balance		2020	2019
Private entities (including individuals)		**8,592,739**	**8,965,011**
SME	G Commerce - wholesale and retail	1,306,236	1,386,638
	C Manufacturing	515,541	524,116
	A Agriculture - forestry - fisheries	422,895	435,957
	F Construction and civil engineering	182,684	174,519
	H Transport and storage services	444,495	535,585
	Other services	311,406	354,081
Total SME		**3,183,257**	**3,410,896**
Corporate	C Manufacturing	4,534,381	5,115,466
	G Commerce - wholesale and retail	3,973,897	3,722,630
	L Real estate	1,751,353	1,683,457
	A Agriculture - forestry - fisheries	1,079,336	1,013,365
	K Financial and insurance institutions	770,510	650,471
	Other services	3,146,191	3,071,555
Total Corporate		**15,255,668**	**15,256,944**
Total		**27,031,664**	**27,632,851**
Allowance for impairment		(1,802,349)	(1,619,046)
Carrying amount		**25,229,315**	**26,013,805**

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		2020	2019
Private entities (including individuals)		**425,371**	**452,643**
Loans commitments			
SME	G Commerce - wholesale and retail	660,458	663,338
	C Manufacturing	178,381	144,757
	A Agriculture - forestry - fisheries	107,738	114,845
	F Construction and civil engineering	107,129	100,537
	H Transport and storage services	53,396	27,257
	Other industries	124,726	76,902
Total SME		**1,231,828**	**1,127,636**
Corporate	C Manufacturing	2,671,977	2,163,388
	G Commerce - wholesale and retail	2,652,868	2,038,547
	D Production and supply of electricity, gas, steam and air conditioning	1,326,094	851,628
	F Construction and civil engineering	650,704	722,769
	J Information and communication	645,956	575,548
	Other industries	1,582,331	1,591,036
Total Corporate		**9,529,930**	**7,942,916**
Total loans commitments		**10,761,758**	**9,070,552**
Letters of credit			
SME	G Commerce - wholesale and retail	136	198
	Other industries	-	-
Total SME		**136**	**198**
Corporate	G Commerce - wholesale and retail	93,037	82,587
	C Manufacturing	12,806	53,877
	K Financial and insurance institutions	-	-
	H Transport and storage services	3,195	11,530
	F Construction and civil engineering	170	729
	Other industries	-	1,568
Total Corporate		**109,208**	**150,291**
Total letters of credit		**109,344**	**150,489**
Financial guarantees			
SME	G Commerce - wholesale and retail	26,937	29,911
	F Construction and civil engineering	13,431	15,366
	C Manufacturing	12,003	14,560
	N Administrative and support service activities	6,551	6,338
	A Agriculture - forestry - fisheries	4,514	1,577
	Other industries	19,163	17,078
Total SME		**82,599**	**84,830**
Corporate	G Commerce - wholesale and retail	1,195,289	1,056,735
	F Construction and civil engineering	812,330	670,715
	D Production and supply of electricity, gas, steam and air conditioning	793,680	1,260,635
	M Professional, scientific and technical	237,829	227,917
	C Manufacturing	235,265	258,095
	Other Industries	618,911	767,635
Total Corporate		**3,893,304**	**4,241,732**
Total financial guarantees		**3,975,903**	**4,326,562**
TOTAL Off balance sheet exposure for loans to customers		**15,272,376**	**14,000,246**
Allowance for impairment		(175,458)	(154,180)
Carrying amount		**15,096,918**	**13,846,066**

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		2020	2019
Private entities (including individuals)		**6,418,585**	**6,290,368**
SME	G Commerce - wholesale and retail	888,870	846,989
	C Manufacturing	503,417	508,778
	A Agriculture - forestry - fisheries	275,067	299,806
	F Construction and civil engineering	178,033	169,049
	H Transport and storage services	115,755	131,963
	Other services	305,299	342,366
Total SME		**2,266,441**	**2,298,951**
Corporate	C Manufacturing	4,533,906	5,114,905
	G Commerce - wholesale and retail	3,904,754	3,721,853
	L Real estate	1,751,353	1,683,457
	A Agriculture - forestry - fisheries	1,072,905	1,013,365
	K Financial and insurance institutions	770,510	650,471
	Other services	3,122,361	3,071,556
Total Corporate		**15,155,789**	**15,255,607**
Total		**23,840,815**	**23,844,926**
Allowance for impairment		(1,554,275)	(1,361,663)
Carrying amount		**22,286,540**	**22,483,263**

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		2020	2019
Private entities (including individuals)		**201,242**	**201,584**
Loan commitments			
SME	G Commerce - wholesale and retail	372,262	273,186
	C Manufacturing	177,430	143,806
	A Agriculture - forestry - fisheries	107,738	114,845
	F Construction and civil engineering	107,129	100,537
	H Transport and storage services	53,396	27,257
	Other industries	124,125	76,329
Total SME		**942,080**	**735,960**
Corporate	C Manufacturing	2,671,977	2,163,390
	G Commerce - wholesale and retail	2,548,237	2,038,547
	D Production and supply of electricity, gas, steam and air conditioning	1,326,094	847,927
	F Construction and civil engineering	650,704	722,769
	J Information and communication	645,956	575,548
	Other industries	1,626,224	1,638,827
Total Corporate		**9,469,192**	**7,987,008**
Total loans commitments		**10,411,272**	**8,722,968**
Letters of credit			
SME	G Commerce - wholesale and retail	136	198
	Other industries	-	-
Total SME		**136**	**198**
Corporate	G Commerce - wholesale and retail	93,037	82,587
	C Manufacturing	12,806	53,877
	K Financial and insurance institutions	4,801	-
	H Transport and storage services	3,195	11,530
	F Construction and civil engineering	170	729
	Other industries	-	1,568
Total Corporate		**114,009**	**150,291**
Total letters of credit		**114,145**	**150,489**
Financial guarantees			
SME	G Commerce - wholesale and retail	26,937	29,911
	F Construction and civil engineering	13,431	15,366
	C Manufacturing	12,003	14,560
	N Administrative and support service activities	6,551	6,338
	A Agriculture - forestry - fisheries	4,514	1,577
	Other industries	19,163	17,078
Total SME		**82,599**	**84,830**
Corporate	G Commerce - wholesale and retail	1,195,289	1,056,735
	F Construction and civil engineering	812,330	670,715
	D Production and supply of electricity, gas, steam and air conditioning	793,680	1,260,634
	M Professional, scientific and technical activities	237,829	227,917
	C Manufacturing	235,265	258,095
	Other Industries	619,283	769,263
Total Corporate		**3,893,676**	**4,243,359**
Total financial guarantees		**3,976,275**	**4,328,189**
TOTAL Off balance sheet exposure for loans to customers		**14,702,934**	**13,403,230**
Allowance for impairment		(176,163)	(178,283)
Carrying amount		**14,526,771**	**13,224,947**

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 receivables at amortised cost - ON balance		2020	2019
Private entities (including individuals)		**84,084**	**81,639**
SME	G Commerce - wholesale and retail	570,378	573,799
	H Transport and storage services	546,227	536,256
	C Manufacturing	497,635	378,773
	F Construction and civil engineering	496,453	470,953
	A Agriculture - forestry - fisheries	223,107	215,703
	Other services	1,070,632	1,064,224
Total SME		**3,404,432**	**3,239,708**
Corporate	C Manufacturing	153,539	148,317
	G Commerce - wholesale and retail	70,880	88,210
	H Transport and storage services	40,516	20,657
	Q Medical and social activities	18,881	8,501
	J Information and communication	14,863	1,401
	Other services	18,397	12,321
Total Corporate		**317,076**	**279,407**
Total		**3,805,592**	**3,600,754**
Allowance for impairment		(289,778)	(277,238)
Carrying amount		**3,515,814**	**3,323,516**

UCLC (Unicredit Leasing Corporation)			
Lease receivables at amortised cost - OFF balance		2020	2019
Private entities (including individuals)		**859**	**1,379**
Loan commitments			
SME	C Manufacturing	16,591	26,960
	L Real estate	10,469	19,749
	F Construction and civil engineering	9,977	11,024
	G Commerce - wholesale and retail	6,174	5,919
	H Transport and storage services	6,068	9,876
	Other Industries	28,802	26,936
Total SME		**78,081**	**100,464**
Corporate	C Manufacturing	7,560	16,731
	A Agriculture - forestry - fisheries	6,205	3,310
	G Commerce - wholesale and retail	-	-
	Other Industries	-	3,684
Total Corporate		**13,765**	**23,725**
Total		**92,705**	**125,568**
Allowance for impairment		(1,276)	(1,060)
Carrying amount		**91,429**	**124,508**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

The significant movement to Stage 2 during 2020 is mainly driven by the following:

- Update of PD lifetime methodology during the year (logistic regression), which led to PD increase and additional migrations into Stage 2. PIT PD Forward Looking updated methodology is a result of a calibration done in two step approach: first step by using an anchor point for default rate estimation (including also forward looking effect), followed by a full calibration (similar with Basel TTC internal models calibration) via logistic regression, based on a PIT sample and central tendency aligned with the anchor point. The updated methodology aligned with new methodological standards reflects a better consistency between calibration approach TTC used for Basel internal models with the calibration approach used for PIT IFRS9 models;
- Classification in Stage 2 for all clients with Watch List 1 (original criteria Watch List 1 for Stage 1) with revenues from commercial real estate renting activities within Covid-19 context (new criteria Watch List 1 for Stage 2);
- Impact from FLI on industries (please see Note 4c) ii).

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

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:

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

The movements 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**

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

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

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

2019	Group				
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	**9,654,118**	**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
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	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
-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	(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 tables below presents, for Group and Bank, the analysis of the movements during the year per class of assets:

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

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

2020 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 – Debt instruments at amortized cost
Loss allowance as at 31 December 2019	**(351)**	**(6,526)**	**-**
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	123	-	-
New financial assets originated or purchased	(5)	(46)	(5,735)
Financial assets that have been derecognised	173	4,032	-
Foreign exchange and other movements	3	(12)	-
Loss allowance as at 31 December 2020	**(57)**	**(2,552)**	**(5,735)**

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

The 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*	Debt instruments at amortized cost
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)	-
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 – Debt instruments at amortized cost
Loss allowance as at 31 December 2018	**(128)**	**(10,211)**	**-**
Changes in the loss allowance			
-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 movements of on balance exposures of the Bank's financial assets are summarized as follows:

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

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

The movements 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	-	39,835
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, for Bank, in loan commitments, letters of credit and financial guarantees of financial assets are summarized as follows:

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

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

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

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

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

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

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

The movements 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	Of 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 derecognized	(252,118)	(53,686)	(20,953)	-	(326,757)
Write-offs	-	-	(87,305)	-	(87,305)
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 off balance sheet 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	Of 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 derecognised	2,451	778	17,466	-	20,695
Foreign exchange and other	(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 for off balance lease receivables are summarized as follows:

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

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

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

4. RISK MANAGEMENT *(continued)*

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)				
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	**104,969**	**-**	**370**	**-**	**105,339**
Changes in the gross amount					
-Transfer to stage 1	(366)	-	366	-	-
-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
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	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	**(852)**	**-**	**(1)**	**-**	**(853)**
Changes in the loss allowance					
-Transfer to stage 1	(3)	-	3	-	-
-Transfer to stage 3	3	-	(3)	-	-
-Increases due to change in credit risk	(21)	-	(31)	-	(52)
-Changes due to modifications that did not result in derecognition	823	-	(1)	-	822
New financial assets originated or purchased	(877)	-	(100)	-	(977)
Loss allowance as at 31 December 2019	**(927)**	**-**	**(133)**	**-**	**(1,060)**

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk

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

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

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

From a liquidity risk governance perspective, the Bank keeps two layers of Managing Bodies acting as strategic decision taking functions and Operational units acting as operative liquidity management functions, i.e. Finance, Financial Risk, 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 Group for measuring liquidity risk are:

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

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

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

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

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

31.12.2020	Group					
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Total carrying amount
Cash and cash equivalents	12,236,808	-	-	-	-	12,236,808
Financial assets at fair value through profit or loss	61,464	46,646	210,261	236,966	-	555,337
Loans and advances to banks	4,183	157,451	50,496	-	-	212,130
Loans and advances to customers	3,092,170	8,220,987	7,846,903	6,069,255	-	25,229,315
Net Lease receivables	72,740	186,568	2,943,703	312,803	-	3,515,814
Debt instruments at amortized cost	-	149,564	4,386,886	1,611,688	-	6,148,138
Financial assets at fair value through other comprehensive income	93,507	33,048	1,648,006	1,243,466	2,346	3,020,373
Other financial assets	130,933	-	12,507	-	-	143,440
Total financial assets	**15,691,805**	**8,794,264**	**17,098,762**	**9,474,178**	**2,346**	**51,061,355**
Financial liabilities at fair value through profit or loss	9,150	26,140	25,134	12,593	-	73,017
Derivatives liabilities designated as hedging instruments	846	1,785	16,812	61,773	-	81,216
Deposits from banks	519,812	-	75,264	-	-	595,076
Loans from banks and other financial institutions, including subordinated liabilities	249,606	1,016,591	4,185,529	1,042,534	-	6,494,260
Debt securities issued	-	284,492	1,637,544	-	-	1,922,036
Deposits from customers	34,014,824	1,691,768	65,770	3	-	35,772,365
Other financial liabilities	474,375	-	43,669	-	-	518,044
Leasing Liabilities	21,998	37,536	128,807	8,495	-	196,836
Total financial liabilities	**35,290,611**	**3,058,312**	**6,178,529**	**1,125,398**	**-**	**45,652,850**
Liquidity surplus/ (shortfall)	**(19,598,806)**	**5,735,952**	**10,920,233**	**8,348,780**	**2,346**	**5,408,505**
Adjustment for investment securities available for refinancing*	2,924,520	(33,048)	(1,648,006)	(1,243,466)	-	-
Liquidity surplus/ (shortfall) adjusted	**(16,674,286)**	**5,702,904**	**9,272,227**	**7,105,314**	**2,346**	**5,408,505**

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

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

31.12.2020			Group			
In 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	(1,897,682)	394,379	224,128	-	-	(1,279,175)
Irrevocable commitments taken inflow	243,470	1,943,040	-	-	-	2,186,510
Issued financial guarantees outflow	-	(5,793,497)	-	-	-	(5,793,497)
Commitments surplus/ (shortfall)	**(1,654,212)**	**(3,456,078)**	**224,128**	**-**	**-**	**(4,886,162)**

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

31.12.2020			Bank			
In RON thousands	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	No fixed maturity	Total carrying amount
Cash and cash equivalents	12,229,614	-	-	-	-	12,229,614
Financial assets at fair value through profit or loss	61,464	46,646	210,261	236,966	-	555,337
Loans and advances to banks	4,183	157,451	50,496	-	-	212,130
Loans and advances to customers	2,951,570	7,276,288	6,002,797	6,055,885	-	22,286,540
Debt instruments at amortized cost	-	149,564	4,386,886	1,611,688	-	6,148,138
Financial assets at fair value through other comprehensive income	93,507	33,048	1,648,006	1,243,466	-	3,018,027
Other financial assets	117,695	-	-	-	-	117,695
Total financial assets	**15,458,033**	**7,662,997**	**12,298,446**	**9,148,005**	**-**	**44,567,481**
Financial liabilities at fair value through profit or loss	9,150	26,140	25,134	12,593	-	73,017
Derivatives liabilities designated as hedging instruments	846	1,785	16,812	61,773	-	81,216
Deposits from banks	519,812	-	75,264	-	-	595,076
Loans from banks and other financial institutions, including subordinated liabilities	90,620	135,150	554,322	820,577	-	1,600,669
Debt securities issued	-	284,492	186,255	-	-	470,747
Deposits from customers	34,501,543	1,691,768	65,770	-	-	36,259,081
Other financial liabilities	453,359	-	-	-	-	453,359
Leasing Liabilities	22,025	36,150	126,047	8,495	-	192,717
Total financial liabilities	**35,597,355**	**2,175,485**	**1,049,604**	**903,438**	**-**	**39,725,882**
Liquidity surplus/ (shortfall)	**(20,139,322)**	**5,487,512**	**11,248,842**	**8,244,567**	**-**	**4,841,599**
Adjustment for investment securities available for refinancing*	2,924,520	(33,048)	(1,648,006)	(1,243,466)	-	-
Liquidity surplus/ (shortfall) adjusted	**(17,214,802)**	**5,454,464**	**9,600,836**	**7,001,101**	**-**	**4,841,599**

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

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

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

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

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

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
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 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	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)*

Future cash flows of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 2020 and 31 December 2019 which is based on contractual undiscounted future payments are listed below:

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

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
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	-	2,152,711
Leasing Liabilities	16,052	41,809	100,416	8,172	166,449
Total financial liabilities	**35,276,259**	**5,253,701**	**6,857,438**	**1,139,053**	**48,526,451**

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

Future cash flows of financial liabilities (continued)

Maturity profile of financial liabilities at 31 December 2020 and 31 December 2019 which is based on contractual undiscounted future payments are listed below:

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

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
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	**35,545,409**	**3,756,302**	**1,458,211**	**1,002,335**	**41,762,257**

4. RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

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

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

31.12.2019 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

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 ("Finance") unit, in coordination with Markets Trading manages strategic and operational Balance sheet management, with the objective of ensuring a balanced asset position and the operating and financial sustainability of the Group's growth policies on the loans market, optimizing the Group's exchange rate, interest rate and liquidity risk.

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

Exposure to market risk – Value at Risk Tool

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

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

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

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

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

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

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

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

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

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**

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

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

Foreign exchange (FX) analysis

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

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

The table shows the average usage of the limits during 2020 and 2019, which correlate also with the stable FX VaR figure.

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

	Group			
In Thousand EUR	31.12.2020		31.12.2019	
	Limits (EUR equivalent)	Average usage	Limits (EUR equivalent)	Average usage
EUR	60,000	22.26%	60,000	20.64%
RON	0	0.00%	60,000	20.88%
USD	5,000	8.52%	5,000	9.71%

	Bank			
In Thousand EUR	31.12.2020		31.12.2019	
	Limits (EUR equivalent)	Average usage	Limits (EUR equivalent)	Average usage
EUR	60,000	22.39%	60,000	20.67%
RON	0	0.00%	60,000	20.67%
USD	5,000	5.68%	5,000	4.09%

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 2020, is presented below:

31.12.2020	Group				
In Thousand RON	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total carrying amount
Cash and cash equivalents	12,236,808	-	-	-	12,236,808
Financial assets held for trading	61,464	46,646	210,261	236,966	555,337
Loans and advances to banks	14,283	157,451	40,396	-	212,130
Loans and advances to customers	13,983,502	6,713,052	3,004,776	1,527,985	25,229,315
Net Lease receivables	2,209,053	86,388	1,146,743	73,630	3,515,814
Debt instruments at amortized cost	-	149,564	4,386,886	1,611,688	6,148,138
Financial assets at fair value through other comprehensive income	93,507	33,048	1,648,006	1,245,812	3,020,373
Other financial assets	143,440	-	-	-	143,440
Total financial assets	**28,742,057**	**7,186,149**	**10,437,068**	**4,696,081**	**51,061,355**
Financial liabilities at fair value through profit or loss	9,150	26,140	25,134	12,593	73,017
Derivatives liabilities designated as hedging instruments	846	1,785	16,812	61,773	81,216
Deposits from banks	519,812	75,264	-	-	595,076
Loans from banks and other financial institutions, including subordinated liabilities	3,838,031	678,202	1,939,828	38,199	6,494,260
Deposits from customers	34,014,824	1,691,768	65,770	3	35,772,365
Debt securities issued	-	470,747	1,451,289	-	1,922,036
Other financial liabilities	518,044	-	-	-	518,044
Leasing Liabilities	22,630	37,536	128,175	8,495	196,836
Total financial liabilities	**38,923,337**	**2,981,442**	**3,627,008**	**121,063**	**45,652,850**
Interest sensitivity surplus / (shortfall)	**(10,181,280)**	**4,204,707**	**6,810,060**	**4,575,018**	**5,408,505**

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

31.12.2020	Bank				
In Thousand RON	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Total carrying amount
Cash and cash equivalents	12,229,614	-	-	-	12,229,614
Financial assets held for trading	61,464	46,646	210,261	236,966	555,337
Loans and advances to banks	14,283	157,451	40,396	-	212,130
Loans and advances to customers	13,456,887	5,783,722	1,529,751	1,516,180	22,286,540
Debt instruments at amortized cost	-	149,564	4,386,886	1,611,688	6,148,138
Financial assets at fair value through other comprehensive income	93,507	33,048	1,648,006	1,243,466	3,018,027
Other financial assets	117,695	-	-	-	117,695
Total financial assets	**25,973,450**	**6,170,431**	**7,815,300**	**4,608,300**	**44,567,481**
Financial liabilities at fair value through profit or loss	9,150	26,140	25,134	12,593	73,017
Derivatives liabilities designated as hedging instruments	846	1,785	16,812	61,773	81,216
Deposits from banks	519,812	75,264	-	-	595,076
Loans from banks and other financial institutions, including subordinated liabilities	1,600,669	-	-	-	1,600,669
Deposits from customers	34,501,543	1,691,768	65,770	-	36,259,081
Debt securities issued	-	470,747	-	-	470,747
Other financial liabilities	453,359	-	-	-	453,359
Leasing Liabilities	22,025	36,150	126,047	8,495	192,717
Total financial liabilities	**37,107,404**	**2,301,854**	**233,763**	**82,861**	**39,725,882**
Interest sensitivity surplus / (shortfall)	**(11,133,954)**	**3,868,577**	**7,581,537**	**4,525,439**	**4,841,599**

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
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)*

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

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

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

31.12.2019	Group RON Average	Group EUR Average	Group USD Average	Bank RON Average	Bank EUR Average	Bank USD Average
Assets						
Current accounts with the National Bank of Romania	0.16%	0.01%	-	0.16%	0.01%	-
Loans and advances to banks	3.51%	-0.43%	1.00%	3.51%	-0.43%	1.00%
Debt 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%	0.00%	0.00%	0.00%
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 interest rates related to the local currency and the major foreign currencies as at 31 December 2020 and 31 December 2019 were as follows:

Currencies	Interest rate	31.12.2020	31.12.2019
RON	Robor 3 months	2.03%	3.18%
RON	Robor 6 months	2.10%	3.24%
EUR	Euribor 3 months	-0.55%	-0.38%
EUR	Euribor 6 months	-0.53%	-0.32%
USD	Libor 3 months	0.24%	1.91%
USD	Libor 6 months	0.26%	1.91%

4. RISK MANAGEMENT *(continued)*

e) Market risk *(continued)*

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

31.12.2020 In Thousand RON	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	4,501,497	88,613	7,548,752	97,946	12,236,808
Financial assets at fair value through profit or loss	428,717	60,699	65,921	-	555,337
Loans and advances to banks	184,711	-	27,419	-	212,130
Loans and advances to customers	14,923,916	399,304	9,904,084	2,011	25,229,315
Net Lease receivables	190,181	600	3,325,033	-	3,515,814
Debt instruments at amortized cost	6,148,138	-	-	-	6,148,138
Financial assets at fair value through other comprehensive income	2,254,900	-	765,473	-	3,020,373
Other financial assets	121,987	(300)	21,736	17	143,440
Total financial assets	**28,754,047**	**548,916**	**21,658,418**	**99,974**	**51,061,355**
Financial liabilities					
Financial liabilities at fair value through profit or loss	18,926	16,644	37,447	-	73,017
Derivatives liabilities designated as hedging instruments	-	1,015	80,201	-	81,216
Deposits from banks	369,168	-	225,908	-	595,076
Loans from banks and other financial institutions at amortized cost	2,095,519	-	3,469,148	-	5,564,667
Subordinated liabilities	-	-	929,593	-	929,593
Deposits from customers	21,307,520	1,817,602	12,505,001	142,242	35,772,365
Debt securities issued	470,747	-	1,451,289	-	1,922,036
Other financial liabilities	291,169	32,280	184,493	10,102	518,044
Lease liabilities	4,492	836	191,508	-	196,836
Total financial liabilities	**24,557,541**	**1,868,377**	**19,074,588**	**152,344**	**45,652,850**
Net financial assets/(liabilities)	**4,196,506**	**(1,319,461)**	**2,583,830**	**(52,370)**	**5,408,505**

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 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 and other financial institutions at amortized cost	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 Bank as at 31 December 2020 can be analysed as follows:

31.12.2020			Bank		
In Thousand RON	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	4,499,339	88,613	7,543,716	97,946	12,229,614
Financial assets at fair value through profit or loss	428,717	60,699	65,921	-	555,337
Loans and advances to banks	184,711	-	27,419	-	212,130
Loans and advances to customers	12,943,889	399,304	8,941,336	2,011	22,286,540
Debt instruments at amortized cost	6,148,138	-	-	-	6,148,138
Financial assets at fair value through other comprehensive income	2,252,554	-	765,473	-	3,018,027
Other financial assets	96,410	(300)	21,568	17	117,695
Total financial assets	**26,553,758**	**548,316**	**17,365,433**	**99,974**	**44,567,481**
Financial liabilities					
Financial liabilities at fair value through profit or loss	18,926	16,644	37,447	-	73,017
Derivatives liabilities designated as hedging instruments	-	1,015	80,201	-	81,216
Deposits from banks	369,168	-	225,908	-	595,076
Loans from banks and other financial institutions at amortized cost	150,707	-	627,496	-	778,203
Subordinated liabilities	-	-	822,466	-	822,466
Deposits from customers	21,795,739	1,817,602	12,503,498	142,242	36,259,081
Debt securities issued	470,747	-	-	-	470,747
Other financial liabilities	229,596	32,280	181,381	10,102	453,359
Lease liabilities	373	836	191,508	-	192,717
Total financial liabilities	**23,035,256**	**1,868,377**	**14,669,905**	**152,344**	**39,725,882**
Net financial assets/(liabilities)	**3,518,502**	**(1,320,061)**	**2,695,528**	**(52,370)**	**4,841,599**

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 and other financial institutions at amortized cost	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)*

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

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

i) Operating environment

The Romanian economy was affected by the COVID 19 pandemic in 2020, leading to an economic drop of 3.9% compared to the previous year, the first economic contraction after the recovery from the global financial crisis. Among the GDP components that still had a positive dynamic in 2020, we mention the public consumption whose increase is mainly due to expenditure on medical supplies and equipment for containing the pandemic effects and the gross fixed capital formation, as investments were higher in 2020 compared to 2019 mainly due to a significant allocation of funds to large infrastructure projects. Among the industries that performed well in 2020, we can mention the construction sector, a part of the economy which was not subject to lockdown restrictions and the IT sector which had a positive contribution to GDP growth. Agriculture had a negative evolution in 2020 mainly due to the drought which affected especially the southern part of the country.

4. RISK MANAGEMENT *(continued)*

i) Operating environment (continued)

In 2021 the Group expects the economy to advance by 4% supported by a recovery of private consumption and of external trade. EU transfers from the National Plan for Recovery and Resilience (RO: Planul National de Redresare si Rezilienta, PNRR) will finance projects which will help the country's development and will temper the current account deficit. The Group expects the economy to return to its pre-pandemic level by the end of first half of 2022.

The budget deficit doubled in 2020 on the back of expenditure to contain the spread of the COVID-19 pandemic and also due to the fiscal stimulus package to support the economy worth around 5.7% of GDP, one of the smallest in the region but well diversified. The budget deficit reached 9.79% at the end of 2020, and a slight decrease to 7.2% of GDP is projected for 2021. The Group anticipates that the fiscal stimulus package will decrease in 2021 to around 3% of GDP, but a better absorption of the European funds from the 2014-2020 budget and the National Plan for Recovery and Resilience could compensate. In 2021 fiscal policy is likely to be predictable and, thus, not lead to additional pressures on the budget deficit.

The monetary policy rate was reduced by one percentage point in 2020 amid the crisis generated by the COVID-19 pandemic. The NBR operated the first cut on March 23rd, 2020 (0.5 percentage points) at the beginning of the pandemic and state of emergency, followed by other two cuts of 0.25 percentage points at the beginning of June and August. Furthermore, the minimum reserve rate requirement was maintained at 8% for RON liabilities, while the requirement for foreign exchange liabilities was subject to two cuts of 2 percentage points in February and 1 percentage point in November, down to 5%. We expect monetary policy to remain accommodative in 2021, accompanied by additional cuts to the monetary policy rate, given the low inflationary pressures which allow for additional easing of the monetary conditions. Furthermore, in order to contain the effects of the crisis generate by the pandemic, NBR purchased government bonds on the secondary market in 2020 and supported commercial banks' liquidity through bi-lateral operations. We expect a downward trajectory of the interbank interest rates (ROBOR), with a decrease of the rate for the 3 months' maturity below 1.5% during 2021.

The EUR-RON exchange fluctuated inside the 4.8-4.9 interval in 2020 with constant RON depreciation pressures due to unfavorable capital flows and reduced economic activity. The Group expects the EUR-RON to move in the 4.9-5.0 interval in 2021 due to moderate depreciation pressures. This gradual depreciation of the national currency will reduce some of RON's overvaluation.

The inflation rate had a descending path in 2020 on the back of the reduced economic activity, mainly due to the decrease of private consumption amid the social distancing measures implemented to contain the pandemic. Although at the end of 2019 the annual inflation rate was 4%, consumer prices had a constantly decreasing trend to 2.1% at the end of 2020. For 2021 The Group expects a gradual return of inflation to 3.1% at the end of the year. The most important inflationary pressures will come from the liberalization of the electricity market, if a significant proportion of customers will not switch to the new types of contracts in the competitive market.

The trade balance deficit persisted at high levels in 2020. Due to the reduced economic activity, both imports and exports decreased but the gap between the two remained high. Exports were affected by the lack of external demand caused by the lockdown periods imposed by the Western European economies. The current account deficit reached EUR 10.98 billion in 2020, the equivalent of around 5% of GDP. For 2021, the Group estimates a current account deficit of at least EUR 9.6 billion.

The volume of loans granted increased in 2020 as well due to support programs from the government, namely the SME Invest program for SMEs and the moratorium on the repayment of loans that benefited both individuals and companies, which maintained a high level of outstanding loans. Year-end data show that the preference for RON-denominated loans continued, with a share of 69.5% compared to 67.6% in December 2019. In total, non-government credit registered at the end of 2020 an increase of 6% compared to the end of 2019. Loans granted to private individuals continued to advance, the local currency being preferred instead of foreign currency. Deposits continued to grow at a faster pace than loans, reflecting the fact that there is still enough room for lending, but the current economic conditions are marked by uncertainty, leading to reluctance on the debtor's side.

4. RISK MANAGEMENT *(continued)*

i) Operating environment (continued)

The ratio of non-performing loans decreased at the beginning of 2020, reaching 3.94% in March, but the economic effects of the SARS-CoV-2 pandemic also had an impact on loan performance, so that in June 2020 the indicator reached a value of 4.38%, with a subsequent decrease to 3.89% in November 2020. The dynamics of this indicator would have been much pronounced had the government not implemented the moratorium on loans.

j) Capital management

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

Regulatory capital

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

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

Credit Risk

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

Market Risk

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

Operational Risk

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

Own Funds

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

4. RISK MANAGEMENT *(continued)*

j) Capital management (continued)

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

In Thousand RON	Group		Bank	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Tier 1 capital-CET1				
Ordinary share capital	1,177,748	1,177,748	1,177,748	1,177,748
Share premium	621,680	621,680	621,680	621,680
Retained earnings *	3,028,984	2,412,426	2,757,923	2,213,234
Accumulated other comprehensive income	73,236	(14,821)	73,236	(14,821)
Other reserves	264,362	236,183	264,362	236,183
Funds for general banking risk	51,453	51,453	51,453	51,453
Adjustments to CET1 due to prudential filters	46,441	47,833	46,441	47,833
Deductions:				
(-) Value adjustments due to the requirements for prudent valuation	(1,254)	(11,187)	(1,254)	(11,187)
(-) Intangible assets	(143,255)	(190,230)	(137,373)	(180,461)
(-) IRB shortfall of credit risk adjustments to expected losses	(1,173)	(79,050)	(4,608)	(74,357)
Total Tier 1 capital-CET1	**5,118,222**	**4,252,035**	**4,849,608**	**4,067,305**
Total AT1 Capital	-	-	-	-
Total Tier 1 capital	**5,118,222**	**4,252,035**	**4,849,608**	**4,067,305**
Tier 2 capital				
Qualifying subordinated liabilities	820,494	805,312	820,494	805,312
Excess of ECL over regulatory credit losses	78,510	-	82,100	-
Total Tier 2 capital	**899,004**	**805,312**	**902,594**	**805,312**
Total own funds	**6,017,226**	**5,057,347**	**5,752,202**	**4,872,617**
Own funds requirements, of which:				
Credit risk	24,348,111	28,557,917	19,704,854	23,191,141
Market risk	159,815	44,354	159,815	44,354
Operational risk	2,645,093	2,483,241	1,892,892	1,764,688
Total requirements for own funds of which:	**27,153,019**	**31,085,512**	**21,757,561**	**25,000,183**
Capital indicators				
CET1	18.85%	13.68%	22.29%	16.27%
Tier 1 capital ratio	18.85%	13.68%	22.29%	16.27%
Total capital ratio	22.16%	16.27%	26.44%	19.49%
Leverage ratio	9.00%	7.56%	9.67%	8.28%

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

Capital allocation

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

4. RISK MANAGEMENT *(continued)*

k) Turnover

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

The Group turnover at 2020 is RON thousands 2,672,214 (2019: RON thousands 2,827,952), 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 2020 is RON thousands 2,138,031 (2019: RON thousands 2,252,993), which is computed and presented in accordance with provisions of art. 644 of the above mentioned Regulation no 5/2013 and consists of Operating income items excluding interest expense and fee expense.

5. USE OF ESTIMATES AND JUDGEMENTS

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

a) Key sources of estimation uncertainty

Allowances for loan losses

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

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

The impact in loss losses allowance has been computed in correlation with the LGD (loss given default) model typology used, therefore starting with 2020 when new LGD overall model has been implemented the impact has been computed by applying LGD overall down / up with 10%, while for 2019 the impact has been computed by applying the collateral material values down / up with 10%.

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

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

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**

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

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

Sensitivity analysis for assets at fair value through other comprehensive income (2020-2019).

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

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

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

In case of the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2019 on available for sale financial assets 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)**

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:

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

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

31.12.2019 In Thousand RON	Listed*	Group Unlisted	Total	Listed*	Bank 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*

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 2020:

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

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

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

The table below presents the fair value of financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorized as of 31 December 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
Total trading assets	**149,710**	**77,811**	**849**	**228,370**	**228,370**
Financial assets at fair value through other comprehensive income					
Debt instruments	7,563,637	1,043,146	-	8,606,783	8,606,783
Equity instruments (minority holdings)	-	-	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					
VISA Shares	-	-	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 for 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 2020:

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

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

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

The table below presents 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
Total trading assets	**149,710**	**77,811**	**849**	**228,370**	**228,370**
Financial assets at fair value through other comprehensive income					
Debt instruments	7,563,637	1,043,146	-	8,606,783	8,606,783
Equity instruments (minority holdings)	-	-	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					
VISA Shares	-	-	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 an analysis of the movement of financial instruments held at fair value classified as Level 3, for the year ended 31 December 2020:

31.12.2020	Group						
In RON thousands	Balance at 31 December 2019	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Additions	Disposals (-)	Foreign Currency Exchange Effect	Balance at 31 December 2020
Financial assets held for trading	**849**	**(390)**	**-**	**15,020**	**(15,170)**	**-**	**309**
Derivatives financial instruments	849	(390)	-	15,020	(15,170)	-	309
Non-transactional financial assets at fair value mandatorily through profit or loss	**39,620**	**-**	**-**	**-**	**(17,021)**	**(1,563)**	**21,036**
VISA Shares	39,620	-	-	-	(17,021)	(1,563)	21,036
Financial assets at fair value through other comprehensive income	**7,857**	**-**	**143**	**-**	**-**	**-**	**8,000**
Equity instruments (minority holdings)	7,857	-	143	-	-	-	8,000
Total assets	**48,326**	**(390)**	**143**	**15,020**	**(32,191)**	**(1,563)**	**29,345**
Financial liabilities designated for trading	**849**	**(388)**	**-**	**15,415**	**(15,446)**	**-**	**430**
Derivatives financial instruments	849	(388)	-	15,415	(15,446)	-	430
Total liabilities	**849**	**(388)**	**-**	**15,415**	**(15,446)**	**-**	**430**

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

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

The table below presents an analysis of the movement of financial instruments held at fair value classified as Level 3, for the year ended 31 December 2019:

31.12.2019	Group						
In RON thousands	Balance at 31 December 2018	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Additions	Disposals (-)	Foreign Currency Exchange Effect	Balance at 31 December 2019
Financial assets held for trading	**59**	**(1,204)**	**-**	**2,767**	**(773)**	**-**	**849**
Derivatives financial instruments	59	(1,204)	-	2,767	(773)	-	849
Non-transactional financial assets at fair value mandatorily through profit or loss	**27,064**	**11,312**	**-**	**-**	**-**	**1,244**	**39,620**
VISA Shares	27,064	11,312	-	-	-	1,244	39,620
Financial assets at fair value through other comprehensive income	**8,199**	**-**	**(338)**	**-**	**(4)**	**-**	**7,857**
Equity instruments (minority holdings)	8,199	-	(338)	-	(4)	-	7,857
Total assets	**35,322**	**10,108**	**(338)**	**2,767**	**(777)**	**1,244**	**48,326**
Financial liabilities designated for trading	**55**	**(1,222)**	**-**	**2,759**	**(743)**	**-**	**849**
Derivatives financial instruments	55	(1,222)	-	2,759	(743)	-	849
Total liabilities	**55**	**(1,222)**	**-**	**2,759**	**(743)**	**-**	**849**

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

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

The table below presents an analysis of the movement of financial instruments held at fair value classified as Level 3, for the year ended 31 December 2020:

31.12.2020	Bank						
In RON thousands	Balance at 31 December 2019	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Additions	Disposals (-)	Foreign Currency Exchange Effect	Balance at 31 December 2020
Financial assets held for trading	**849**	**(390)**	**-**	**15,020**	**(15,170)**	**-**	**309**
Derivatives financial instruments	849	(390)	-	15,020	(15,170)	-	309
Non-transactional financial assets at fair value mandatorily through profit or loss	**39,620**	**-**	**-**	**-**	**(17,021)**	**(1,563)**	**21,036**
VISA Shares	39,620	-	-	-	(17,021)	(1,563)	21,036
Financial assets at fair value through other comprehensive income	**5,511**	**-**	**143**	**-**	**-**	**-**	**5,654**
Equity instruments (minority holdings)	5,511	-	143	-	-	-	5,654
Total assets	**45,980**	**(390)**	**143**	**15,020**	**(32,191)**	**(1,563)**	**26,999**
Financial liabilities designated for trading	**849**	**(388)**	**-**	**15,415**	**(15,446)**	**-**	**430**
Derivatives financial instruments	849	(388)	-	15,415	(15,446)	-	430
Total liabilities	**849**	**(388)**	**-**	**15,415**	**(15,446)**	**-**	**430**

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

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

The table below presents an analysis of the movement of financial instruments held at fair value classified as Level 3, for the year ended 31 December 2019:

31.12.2019	Bank						
In RON thousands	Balance at 31 December 2018	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Additions	Disposals (-)	Foreign Currency Exchange Effect	Balance at 31 December 2019
Financial assets held for trading	**59**	**(1,204)**	**-**	**2,767**	**(773)**	**-**	**849**
Derivatives financial instruments	59	(1,204)	-	2,767	(773)	-	849
Non-transactional financial assets at fair value mandatorily through profit or loss	**27,064**	**11,312**	**-**	**-**	**-**	**1,244**	**39,620**
VISA Shares	27,064	11,312	-	-	-	1,244	39,620
Financial assets at fair value through other comprehensive income	**5,853**	**-**	**(338)**	**-**	**(4)**	**-**	**5,511**
Equity instruments (minority holdings)	5,853	-	(338)	-	(4)	-	5,511
Total assets	**32,976**	**10,108**	**(338)**	**2,767**	**(777)**	**1,244**	**45,980**
Financial liabilities designated for trading	**55**	**(1,222)**	**-**	**2,759**	**(743)**	**-**	**849**
Derivatives financial instruments	55	(1,222)	-	2,759	(743)	-	849
Total liabilities	**55**	**(1,222)**	**-**	**2,759**	**(743)**	**-**	**849**

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.

31.12.2020			Group			
In RON thousands	At fair value through profit or loss - held for trading	At amortized cost	Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	-	12,236,808	-	-	12,236,808	12,236,808
Financial assets at fair value through profit or loss	555,337	-	-	-	555,337	555,337
Loans and advances to banks at amortized cost	-	212,130	-	-	212,130	213,807
Loans and advances to customers at amortized cost	-	25,229,315	-	-	25,229,315	25,047,716
Net lease receivables	-	3,515,814	-	-	3,515,814	3,574,683
Debt instruments at amortized cost	-	6,148,138	-	-	6,148,138	6,153,873
Financial assets at fair value through other comprehensive income	-	-	3,020,373	-	3,020,373	3,020,373
Other financial assets at amortized cost	-	143,440	-	-	143,440	143,438
Total financial assets	**555,337**	**47,485,645**	**3,020,373**	**-**	**51,061,355**	**50,946,035**
Financial liabilities at fair value through profit or loss	73,017	-	-	-	73,017	73,017
Derivatives liabilities designated as hedging instruments	81,216	-	-	-	81,216	81,216
Deposits from banks	-	595,076	-	-	595,076	593,643
Loans from banks and other financial institutions, including subordinated liabilities	-	6,494,260	-	-	6,494,260	6,483,303
Debt securities issued	-	1,922,036	-	-	1,922,036	1,922,036
Deposits from customers	-	35,772,365	-	-	35,772,365	35,685,036
Other financial liabilities at amortized cost	-	518,044	-	-	518,044	518,043
Lease liabilities	-	196,836	-	-	196,836	196,836
Total financial liabilities	**154,233**	**45,498,617**	**-**	**-**	**45,652,850**	**45,553,130**

6. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL ASSETS/LIABILITIES *(continued)*

The table below sets out the 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
Loans and advances to 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 Bank's carrying amounts of each class of financial assets and liabilities, and their fair values.

31.12.2020	Bank					
In RON thousands	At fair value through profit or loss - held for trading	At amortized cost	Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	-	12,229,614	-	-	12,229,614	12,229,614
Financial assets at fair value through profit or loss	555,337	-	-	-	555,337	555,337
Loans and advances to banks at amortized cost	-	212,130	-	-	212,130	213,807
Loans and advances to customers at amortized cost	-	22,286,540	-	-	22,286,540	22,060,028
Debt instruments at amortized cost	-	6,148,138	-	-	6,148,138	6,153,873
Financial assets at fair value through other comprehensive income	-	-	3,018,027	-	3,018,027	3,018,027
Other financial assets at amortized cost	-	117,695	-	-	117,695	117,695
Total financial assets	**555,337**	**40,994,117**	**3,018,027**	**-**	**44,567,481**	**44,348,381**
Financial liabilities at fair value through profit or loss	73,017	-	-	-	73,017	73,017
Derivatives liabilities designated as hedging instruments	81,216	-	-	-	81,216	81,216
Deposits from banks	-	595,076	-	-	595,076	593,643
Loans from banks and other financial institutions, including subordinated liabilities	-	1,600,669	-	-	1,600,669	1,596,814
Debt securities issued	-	470,747	-	-	470,747	470,747
Deposits from customers	-	36,259,081	-	-	36,259,081	36,171,751
Other financial liabilities at amortized cost	-	453,359	-	-	453,359	453,359
Lease liabilities	-	192,717	-	-	192,717	192,717
Total financial liabilities	**154,233**	**39,571,649**	**-**	**-**	**39,725,882**	**39,633,264**

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			Bank			
In RON thousands	At fair value through profit or loss - held for trading	At amortized cost	Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	-	11,693,863	-	-	11,693,863	11,693,863
Financial assets at fair value through profit or loss	267,990	-	-	-	267,990	267,990
Loans and advances to 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**

7. NET INTEREST INCOME

In RON thousands	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
Interest income				
Interest and similar income arising from:				
Loans and advances to customers*	1,261,931	1,351,879	972,748	1,021,628
Net Lease receivables	178,496	181,232	-	-
Treasury bills and bonds at fair value through other comprehensive income	171,306	253,231	171,306	253,231
Debt instruments at amortized cost	109,100	-	109,100	-
Current accounts and placements with banks	38,257	60,902	38,119	60,847
Negative interest from financial liabilities	127	3,559	127	3,559
Total interest income	**1,759,217**	**1,850,803**	**1,291,400**	**1,339,265**
Interest expense				
Interest expense and similar charges arising from:				
Deposits from customers	196,852	244,544	197,262	244,600
Loans from banks and other financial institutions	167,528	186,888	38,760	42,599
Deposits from banks	15,758	42,702	15,758	42,702
Repurchase agreements	549	124	549	124
Interest related to the bonds issued	39,806	29,323	20,397	25,396
Negative interest on financial assets	28,564	20,835	28,564	20,835
Debt from leasing operations	1,254	2,157	1,039	1,896
Defined benefit obligations	240	-	240	-
Total interest expense	**450,551**	**526,573**	**302,569**	**378,152**
Net interest income	**1,308,666**	**1,324,230**	**988,831**	**961,113**

**) Interest income as at December 2020 includes expenses with interest adjustments related to depreciated financial assets in the total amount of RON thousands 84,551 (31 December 2019: RON thousands 90,614) for the Group and RON thousands 43,524 (31 December 2019: RON thousands 63,657) for the Bank.*

Interest expense and income on assets and liabilities, other than those that are recognized at fair value through profit or loss, are calculated using the effective interest rate method.

8. NET FEES AND COMMISSIONS INCOME

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Fees and commissions income				
Payments transactions	280,791	293,854	278,146	288,134
Risk participation fee (refer to Note 42)	193	293	193	293
Guarantees and letters of credit	34,454	32,022	34,454	32,022
Loan administration	13,850	12,776	7,882	8,436
Commissions from other types of financial services	63,961	48,747	77,092	80,535
Commissions from insurance intermediation	54,398	61,912	7,643	9,726
Commissions on securities transactions	5,161	5,334	5,161	5,334
Total fees and commission income	**452,808**	**454,938**	**410,571**	**424,480**
Fees and commission expense				
Inter-banking fees	67,522	63,441	67,559	63,480
Payments transactions	57,570	56,040	53,030	49,140
Commitments and similar fees	471	441	471	441
Intermediary agents fees	5,048	5,440	3,088	2,679
Other	15,591	13,119	13,828	11,736
Total fees and commissions expense	**146,202**	**138,481**	**137,976**	**127,476**
Net fees and commissions income	**306,606**	**316,457**	**272,595**	**297,004**

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

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Net gains from foreign exchange operations (including FX derivatives)	284,345	341,655	284,424	341,697
Net gains / (losses) from interest derivatives	(12,977)	(13,943)	(13,054)	(13,985)
Net income / (losses) from trading bonds	22,935	13,291	22,935	13,291
Net gains / (losses) from other derivatives	4,224	7,970	4,224	7,970
Net income from trading for financial instruments held at fair value through profit or loss	**298,527**	**348,973**	**298,529**	**348,973**
Net gains from non-transactional financial instruments held at fair value through profit or loss	**6,659**	**11,372**	**6,659**	**11,372**
Net income from financial instruments held at fair value through profit or loss	**305,186**	**360,345**	**305,188**	**360,345**

10. DIVIDENDS INCOME

The Group received dividends from the following companies:

	Group		Bank	
in RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Transfond SA	1,698	1,635	1,698	1,635
Biroul de Credit SA	274	336	274	336
Total dividends income	**1,972**	**1,971**	**1,972**	**1,971**

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

11. PERSONNEL EXPENSES

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Wages and salaries	414,974	409,252	366,136	357,955
Social security charges, unemployment fund and health fund	12,607	11,838	11,260	10,486
Other (income)/costs	1,087	786	(1,304)	(961)
Total	**428,668**	**421,876**	**376,092**	**367,480**

The number of employees of the Group at 31 December 2020 was 3,390 (31 December 2019: 3,357). The number of employees of the Bank at 31 December 2020 was 3,024 (31.12.2019: 2,987).

Remuneration of Board's members for 2020 was RON thousands 15,742 (2019: RON thousands 11,536).

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 2020 the Bank paid in RON thousands equivalent 718 (2019: RON thousands equivalent 1,603), related to these benefits.

12. DEPRECIATION AND AMORTISATION

	Group		Bank	
in RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Depreciation expenses related to tangible assets	34,897	33,881	31,967	33,069
Depreciation expenses related to the rights of use (please see Note 3n and Note 45)	63,578	59,525	58,641	54,724
Write-off of property, plant and equipment	260	1,840	260	1,840
Depreciation expenses of intangible assets	51,919	57,018	47,431	50,466
Net expenses/(income) from disposal of intangible assets	51	31	51	18
Total	**150,705**	**152,295**	**138,350**	**140,117**

13. OTHER ADMINISTRATIVE COSTS

	Group		Bank	
in RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Office space expenses (rental, maintenance, other)	37,501	44,983	33,889	41,278
IT services	110,259	102,692	105,285	97,623
Other taxes and duties*	56,064	115,857	56,064	115,857
Communication expenses	21,611	24,103	19,004	19,775
Advertising and promotional expenses	26,815	34,014	24,371	26,000
Consultancy, legal and other professional	10,497	10,086	5,871	5,899
Materials and consumables	11,264	12,833	10,290	11,678
Personnel training and recruiting	1,859	4,948	1,222	3,841
Insurance expenses	3,836	3,346	3,083	2,430
Other	24,149	24,258	20,650	20,550
Total	**303,855**	**377,120**	**279,729**	**344,931**

** Other taxes and duties include for 2019 the Tax on Bank assets, in amount of 59,609 RON thousands, due according to the Government Emergency Ordinance no. 114/2018. The tax on assets was repealed in the financial year 2020.*

The fees due by the Group for 2020 year to the auditing firm Deloitte and other companies from their group, without VAT, were as follows:

- audit and assurance services: RON thousands 3,000 (31 December 2019: RON thousands 2,300);
- tax services related to transfer price matters: RON thousands 88 (31 December 2019: RON thousands 347).
- other services: RON thousands 0 (31 December 2019: RON thousands 427 related to review of Bonds issuing prospect in UniCredit Leasing – please see note 35 Debt securities issued).

The fees due by UniCredit Bank SA for 2020 year to the auditing firm Deloitte and other companies from their group, without VAT, were as follows:

- audit and assurance services: RON thousands 1,827 (31 December 2019: RON thousands 1,588)
- tax services related to transfer price matters: RON thousands 88 (31 December 2019: RON thousands 347).

14. OTHER OPERATING EXPENSES

in RON thousands	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
Expenses with third party services for recovery of assets	5,731	7,404	-	-
Net income/expenses regarding repossessed assets	(7,438)	(7,001)	-	-
Other operating expenses	23,416	22,599	10,973	11,810
Total	**21,709**	**23,002**	**10,973**	**11,810**

15. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

In RON thousands	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
Net provision charges for loans and advances to customers (Note 22)	520,506	443,740	409,596	265,633
Net provision charges for banks	525	2,090	931	1,320
Net provision charges for securities	1,749	(3,719)	1,749	(3,719)
Loans written-off	2,063	1,846	2,063	1,846
Net provision charges for lease receivables (Note 23)	33,359	22,853	-	-
Recoveries from loans previously written-off	(55,327)	(81,214)	(55,327)	(81,214)
Net provisions charges for other financial instruments	8,043	1,423	7,449	6,987
Total	**510,918**	**387,019**	**366,461**	**190,853**

16. NET PROVISIONS LOSSES

In RON thousands	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
Net provision charges/(releases) for financial guarantees and off-balance commitments (Note 37)	(1,915)	995	(3,313)	886
Net provision charges/(releases) for litigations (Note 37)	(17,262)	15,842	(317)	(2,063)
Other net charges of provisions (Note 37)	(733)	16,372	(23,713)	15,342
Net (gains) / losses from provisions	**(19,910)**	**33,209**	**(27,343)**	**14,165**

17. NET GAINS / (LOSSES) ON OTHER INVESTMENTS

in RON thousands	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
Gains/ (losses) on disposals groups held for sale assets	-	1,249	-	-
Net Profit / (Loss) from other investment activities	**-**	**1,249**	**-**	**-**

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 was received in March and April 2020.

18. INCOME TAX

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

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Profit/ (Loss) before tax	**674,668**	**768,933**	**545,272**	**677,315**
Direct taxes at 16% (2019: 16%) of taxable profits determined in accordance with Romanian law	(95,951)	(144,134)	(59,931)	(108,588)
Additional tax expenses*	(79,015)	(712)	(79,015)	(327)
Deferred tax income	4,231	13,488	(2,664)	4,520
Income tax	**(170,735)**	**(131,358)**	**(141,610)**	**(104,395)**
Profit/ (Loss) before tax	**674,668**	**768,933**	**545,272**	**677,315**
Taxation at statutory rate of 16%	**(107,947)**	**(123,029)**	**(87,244)**	**(108,370)**
Non-deductible expenses	(80,922)	(90,806)	(54,147)	(50,607)
Non-taxable revenues	65,730	44,288	55,785	29,832
Origination and reversal of temporary differences	4,941	17,642	(2,664)	4,520
Fiscal credit	26,478	21,259	25,675	20,557
Additional tax expenses*	(79,015)	(712)	(79,015)	(327)
Taxation in the income statement	**(170,735)**	**(131,358)**	**(141,610)**	**(104,395)**

* In September 2020, the result of the tax audit for the period 2013 – 2017 was received by the Bank, consisting in additional tax expenses of RON thousands 62,656. Following the payment of this amount to the authorities, the Bank booked additional Income Tax expense, representing the amount established by the tax authorities as being additionally due, in amount of RON thousands 62,656. Additionally, the Bank booked the possible tax liabilities that could result from the transfer pricing adjustments for intra-group financing, for the period 2018 – 2020, in the amount of RON thousands 14,411.

19. CASH AND CASH EQUIVALENTS

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Accounts at NBR	4,554,747	4,223,925	4,554,747	4,223,925
Cash (including cash in ATMs)	1,695,242	1,607,801	1,695,232	1,607,794
Short term Money Market placements	5,915,625	5,831,936	5,915,625	5,831,937
Current balances with other banks	76,449	34,798	69,268	34,707
Total gross value	**12,242,063**	**11,698,460**	**12,234,872**	**11,698,363**
Impairment allowance	**(5,255)**	**(4,566)**	**(5,258)**	**(4,500)**
Total net book value	**12,236,808**	**11,693,894**	**12,229,614**	**11,693,863**

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 2020, the minimum reserve level was settled as 8% (31 December 2019: 8%) for liabilities to customers in RON and 5% (31 December 2019: 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.

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

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

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Derivatives	75,768	66,672	75,768	66,672
Investment securities held for trading	436,331	161,698	436,331	161,698
VISA Shares*	43,238	39,620	43,238	39,620
Total	**555,337**	**267,990**	**555,337**	**267,990**

*) VISA Inc shares class A are classified as “Capital Instruments – Financial assets at fair value through profit and loss” and VISA Inc shares class C are classified as “Debt Instruments – Financial assets at fair value through profit and loss” (as described in Note 3 b1) iv) and Note 3 o) iii).

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Equity instruments (Class A)	22,202	-	22,202	-
Debt instruments (Class C)	21,036	39,620	21,036	39,620
Total VISA Shares	**43,238**	**39,620**	**43,238**	**39,620**

- ***Derivative assets/ liabilities***

	Group 31.12.2020			Bank 31.12.2020		
In RON thousands	Notional amount	Present value Assets	Present value Liabilities	Notional amount	Present value Assets	Present value Liabilities
Foreign currency Derivatives						
Forward contracts	3,898,650	24,245	15,861	3,898,650	24,245	15,861
Purchased options	159,158	217	7	159,158	217	7
Sold options	159,158	-	217	159,158	-	217
Total foreign currency derivatives	**4,216,966**	**24,462**	**16,085**	**4,216,966**	**24,462**	**16,085**
Interest rates derivatives						
Interest Rate Swaps	2,339,452	24,687	29,330	2,339,452	24,687	29,330
Purchased options	558,310	10,179	9,679	558,310	10,179	9,679
Sold options	558,310	-	1,511	558,310	-	1,511
Total interest rate derivatives	**3,456,072**	**34,866**	**40,520**	**3,456,072**	**34,866**	**40,520**
Other derivatives on purchased	70,161	16,440	-	70,161	16,440	-
Other derivatives on sold	70,161	-	16,412	70,161	-	16,412
Total derivatives - merchandise	**140,322**	**16,440**	**16,412**	**140,322**	**16,440**	**16,412**
Total	**7,813,360**	**75,768**	**73,017**	**7,813,360**	**75,768**	**73,017**

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

	Group 31.12.2019			Bank 31.12.2019		
In RON thousands	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 derivatives	**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	156	2	-	156	2	-
Other derivatives on sold	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**

As at 31 December 2020, the Bank has non-matured SPOT foreign currency transactions, as follows: assets notional amount RON thousands 2,662,580 (as at 31 December 2019: RON thousands 1,247,923) and liabilities notional amount RON thousands 2,663,302 (as at 31 December 2019: RON thousands 1,248,106). The net present value for SPOT transactions amounted to RON thousands 722 (liability) (as at 31 December 2019: RON thousands 183 (liability)).

21. LOANS AND ADVANCES TO BANKS

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Loans to banks - non-residents	209,464	570,567	209,464	570,567
Loans to banks - residents	2,666	2,000	2,666	2,000
Total	**212,130**	**572,567**	**212,130**	**572,567**

Loans to banks include money market deposits to domestic and foreign commercial banks. These exposures with grade from 1 to 7 (31 December 2019: 1 to 7) are assessed as performing according with Bank's internal rating as at 31 December 2020 and 31 December 2019.

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

22. LOANS AND ADVANCES TO CUSTOMERS

The Group's commercial lending is concentrated on companies and individuals located mainly in Romania. The below amounts show gross book value and provision for impairment after including IRC.

The breakdown of loan portfolio by type of loan was as follows:

	Group			
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2020
Mortgages	5,951,807	297,752	-	6,249,559
Personal loans and car loans	302,594	81,799	-	384,393
Credit cards and overdraft	1,864,264	76,854	-	1,941,118
Corporate loans	14,402,147	969,637	22,967	15,371,784
SME loans	1,987,348	245,203	-	2,232,551
Factoring, Discounting, Forfaiting	599,351	252,908	-	852,259
Loans and advances to customers before provisions	**25,107,511**	**1,924,153**	**22,967**	**27,031,664**
Less provision for impairment losses on loans	(487,368)	(1,314,981)	(3,519)	(1,802,349)
Net loans and advances to customers	**24,620,143**	**609,172**	**19,448**	**25,229,315**

	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 loans	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**

22. 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	31.12.2020
Mortgages	5,951,808	297,752	-	6,249,560
Personal loans and car loans	35,754	7,376	-	43,130
Credit cards and overdraft	116,851	9,043	-	125,894
Corporate loans	13,416,178	921,243	22,967	14,337,421
SME loans	1,987,348	245,203	-	2,232,551
Factoring, Discounting, Forfaiting	599,351	252,908	-	852,259
Loans and advances to customers before provisions	**22,107,290**	**1,733,525**	**22,967**	**23,840,815**
Less provision for impairment losses on loans	(373,152)	(1,181,123)	(3,519)	(1,554,275)
Net loans and advances to customers	**21,734,138**	**552,402**	**19,448**	**22,286,540**

	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 loans	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**

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

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

	Group	
in RON thousands	31.12.2020	31.12.2019
Balance at the 31st of December	**1,619,046**	**1,816,126**
Net impairment charge for the period (Note 15)	520,506	443,740
Foreign currency exchange effect	14,490	24,751
Release of allowances for impairment of loans written-off and loans sold	(394,951)	(706,199)
Other adjustments	43,258	40,628
Final balance at 31 December	**1,802,349**	**1,619,046**

	Bank	
in RON thousands	31.12.2020	31.12.2019
Balance at the 31st of December	**1,361,663**	**1,603,248**
Net impairment charge for the period (Note 15)	409,596	265,937
Foreign currency exchange effect	13,817	23,832
Release of allowances for impairment of loans written-off and loans sold	(294,468)	(571,982)
Other adjustments	63,667	40,628
Final balance at 31 December	**1,554,275**	**1,361,663**

23. NET FINANCIAL LEASE RECEIVABLES

The Group acts as lessor for the finance lease granted mainly to finance purchases of cars, trucks and trailers, equipment and real estate. Lease contracts are mainly in EUR, USD and RON, and are offered for a period between 1 and 15 years, transferring the ownership on the leased assets at the end of lease contract. The interest is invoiced over the lease period using equal instalments. Lease receivables are guaranteed by the goods leased and other guarantees.

The values below indicate the gross carrying amount and the adjustment for impairment including IRC. The split of net lease receivable by stages and by maturities is presented in the following table below:

	UCLC (Unicredit Leasing Corporation)			
	31.12.2020			
in RON thousands	Total, of which	Stage 1	Stage 2	Stage 3
Lease receivables up to one year, gross	1,433,991	1,147,020	110,346	176,625
Lease receivables 1-2 years, gross	1,033,265	883,590	91,129	58,546
Lease receivables 2-3 years, gross	757,539	621,066	97,691	38,782
Lease receivables 3-4 years, gross	433,386	370,409	36,779	26,198
Lease receivables 4-5 years, gross	195,465	162,212	18,005	15,248
Lease receivables over 5 years, gross	196,547	138,543	3,847	54,157
Total contractual undiscounted lease payments receivable	**4,050,193**	**3,322,840**	**357,797**	**369,556**
Unearned finance income (future interest)	(244,601)	(188,574)	(24,665)	(31,362)
Discounted unguaranteed residual value	-	-	-	-
Total gross lease investment net of future interest and unguaranteed residual value	**3,805,592**	**3,134,266**	**333,132**	**338,194**
Impairment allowance for lease receivables	(289,778)	(68,893)	(45,176)	(175,709)
Total net lease investment	**3,515,814**	**3,065,373**	**287,956**	**162,485**

	UCLC (Unicredit Leasing Corporation)			
	31.12.2019			
in RON thousands	Total, of which	Stage 1	Stage 2	Stage 3
Lease receivables up to one year, gross	1,334,192	1,074,546	79,407	180,239
Lease receivables 1-2 years, gross	1,106,858	926,329	91,743	88,786
Lease receivables 2-3 years, gross	599,295	566,867	27,853	4,575
Lease receivables 3-4 years, gross	393,337	373,339	17,397	2,601
Lease receivables 4-5 years, gross	278,505	199,335	20,492	58,678
Lease receivables over 5 years, gross	138,487	95,400	40,098	2,989
Total contractual undiscounted lease payments receivable	**3,850,674**	**3,235,816**	**276,990**	**337,868**
Unearned finance income (future interest)	(249,920)	(201,688)	(25,771)	(22,461)
Discounted unguaranteed residual value	-	-	-	-
Total gross lease investment net of future interest and unguaranteed residual value	**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**

23. NET FINANCIAL LEASE RECEIVABLES (continued)

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

UCLC (Unicredit Leasing Corporation)		
in RON thousands	31.12.2020	31.12.2019
Balance at the 31st of December	**277,238**	**333,966**
Net impairment charge for the period (Note 15)	33,359	22,853
Foreign currency exchange effect	5,837	7,724
Release of allowances for impairment of loans written-off and loans sold	(26,656)	(87,305)
Balance at 31 December	**289,778**	**277,238**

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

UCLC (Unicredit Leasing Corporation)				
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2020
Leasing receivables - real estate assets financed	344,012	69,951	-	413,963
Other leasing receivables - legal entities and retail	3,123,387	268,242	-	3,391,629
Leasing receivables before provisions	**3,467,399**	**338,193**	**-**	**3,805,592**
Impairment allowance for lease receivables	(114,069)	(175,709)	-	(289,778)
Net lease receivables	**3,353,330**	**162,484**	**-**	**3,515,814**

UCLC (Unicredit Leasing Corporation)				
in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2019
Leasing receivables - real estate assets financed	345,985	7,080	-	353,065
Other leasing receivables - legal entities and retail	2,939,362	308,327	-	3,247,689
Leasing receivables before provisions	**3,285,347**	**315,407**	**-**	**3,600,754**
Impairment allowance for lease receivables	(61,241)	(215,997)	-	(277,238)
Net lease receivables	**3,224,106**	**99,410**	**-**	**3,323,516**

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

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

	Group		Bank	
in RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Investment securities held at fair value through other comprehensive income	3,012,373	8,606,783	3,012,373	8,606,783
Equity investments (minority holdings)	8,000	7,857	5,654	5,511
Total	**3,020,373**	**8,614,640**	**3,018,027**	**8,612,294**

Investment securities held at fair value through other comprehensive income

As at 31 December 2020, the Group included in investment securities held at fair value through other comprehensive income bonds, T-bills issued by Romanian Government, bonds issued by the municipality of Bucharest and bonds issued by the Ministry of Public Finance in amount of RON thousands 3,012,373 (31 December 2019: RON thousands 8,606,783).

As at 31 December 2020, the investment securities held at fair value through other comprehensive income are pledged in amount of RON thousands 24,044 (31 December 2019: RON thousands 484,829).

The Group transferred to profit or loss during 2020 an amount of RON thousands 47,322 (2019: RON thousands 11,841) 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 2020 and 31 December 2019:

31.12.2020 In RON thousands	Group Nature of business	% interest held	Fair value
UniCredit Leasing Fleet Management	Operational leasing	9.99%	2,346
Transfond SA	Other financial services	8.04%	3,882
Biroul de Credit SA	Financial services	6.80%	1,105
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	667
Total			**8,000**

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**

The above mentioned companies are incorporated in Romania.

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

The Bank held the following unlisted equity investments classified as FVTOCI as at 31 December 2020 and 31 December 2019:

31.12.2020 In RON thousands	Bank Nature of business	% Interest held	Fair value
Transfond SA	Other financial services	8.04%	3,882
Biroul de Credit SA	Financial services	6.80%	1,105
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	667
Total			**5,654**

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**

The above mentioned companies are incorporated in Romania.

25. FINANCIAL ASSETS (DEBT INSTRUMENTS) AT AMORTIZED COST

As at 31 December 2020, the Group and the Bank held debt instruments at amortized cost representing bonds and T-bills issued by Romanian Government in amount of RON thousands 6,148,138 (31 December 2019 RON thousands 0).

As at 31 December 2020, the debt instruments at amortized cost are pledged in amount of RON thousands 553,516 (31 December 2019: RON thousands 0).

26. INVESTMENTS IN SUBSIDIARIES

			Bank			
			31.12.2020		31.12.2019	
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:

31.12.2020		Bank			
In RON thousands	% Interest held	Total assets	Total liabilities	Operating income	Profit / (Loss)
31.12.2020					
UniCredit Consumer Financing IFN S.A.	50.10%	2,149,898	1,907,900	185,182	21,933
UniCredit Leasing Corporation IFN S.A.	99.98%	5,025,517	4,624,569	182,350	58,873
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

27. PROPERTY, PLANT AND EQUIPMENT

31.12.2020	Group					
In RON thousands	Land and buildings	Computers and equipment	Motor vehicles	Furniture and other assets	Assets in course of production	Total
Cost						
Balance at 1 January 2020 (**)	**83,699**	**191,775**	**137**	**100,930**	**34,710**	**411,251**
Additions	4,682	15,598	70	7,404	50,125	77,879
Revaluation - cancel cumulated depreciation	(9,048)	-	-	-	-	(9,048)
Revaluation*	322	-	-	-	-	322
Disposals	-	(3,203)	-	(3,620)	(27,301)	(34,124)
Balance at 31 December 2020	**79,655**	**204,170**	**207**	**104,714**	**57,534**	**446,280**
Depreciation and impairment losses						
Balance at 1 January 2020 (**)	**(3,379)**	**(144,406)**	**(43)**	**(63,055)**	**-**	**(210,883)**
Charge for the year	(9,163)	(18,760)	(45)	(6,930)	-	(34,898)
Revaluation - cancel cumulated depreciation	9,048	-	-	-	-	9,048
Disposals	(1)	2,531	-	3,428	-	5,958
Balance at 31 December 2020	**(3,495)**	**(160,635)**	**(88)**	**(66,557)**	**-**	**(230,775)**
Carrying amounts						
At 1 January 2020	**80,320**	**47,369**	**94**	**37,875**	**34,710**	**200,368**
At 31 December 2020	**76,160**	**43,535**	**119**	**38,157**	**57,534**	**215,505**

** The most recent revaluation for the land and builings class was performed by Coldwell Banker SRL as of 31 December 2020. In accordance with the International Standards for Valuation, the estimation of fair value was perfomed by the valuator using two alternative aprroaches, income approach and market approach, using the most approapriate one depending on the nature and purpose of each element.*

*** The Group reclassified during 2020, an amount of RON thousands 3,379 gross book value and of RON thousands 3,379 acummulated depreciation as at December 31, 2019 (total net book value is nill as at December 31, 2019) from Other assets to Land and Buildings in Property, Plant and Equipment caption, representing leasehold improvements.*

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

31.12.2019	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 aprroaches, income approach and market approach, using the most approapriate 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)*

31.12.2020	Bank					
In RON thousands	Land and buildings	Computers and equipment	Motor vehicles	Furniture and other assets	Assets in course of production	Total
Cost						
Balance at 1 January 2020	**80,320**	**162,210**	**-**	**99,793**	**34,710**	**377,033**
Additions	4,349	13,819	-	7,341	50,125	75,634
Revaluation - cancel cumulated depreciation	(9,048)	-	-	-	-	(9,048)
Revaluation*	322	-	-	-	-	322
Disposals	-	(2,614)	-	(3,620)	(27,301)	(33,535)
Balance at 31 December 2020	**75,943**	**173,415**	**-**	**103,514**	**57,534**	**410,406**
Depreciation and impairment losses						
Balance at 1 January 2020	**-**	**(126,445)**	**-**	**(61,975)**	**-**	**(188,420)**
Charge for the year	(9,048)	(16,032)	-	(6,887)	-	(31,967)
Revaluation - cancel cumulated depreciation	9,048	-	-	-	-	9,048
Disposals	-	2,595	-	3,439	-	6,034
Balance at 31 December 2020	**-**	**(139,882)**	**-**	**(65,423)**	**-**	**(205,305)**
Carrying amounts						
At 1 January 2020	**80,320**	**35,765**	**-**	**37,818**	**34,710**	**188,613**
At 31 December 2020	**75,943**	**33,533**	**-**	**38,091**	**57,534**	**205,101**

** The most recent revaluation for the land and builings class was performed by Coldwell Banker SRL as of 31 December 2020. In accordance with the International Standards for Valuation, the estimation of fair value was perfomed by the valuator using two alternative aprroaches, income approach and market approach, using the most approapriate one depending on the nature and purpose of each element.*

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)
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
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 aprroaches, income approach and market approach, using the most approapriate one depending on the nature and purpose of each element.*

28. INTANGIBLE ASSETS

31.12.2020		Group	
In RON thousands	Intangible assets	Intangible assets in progress	Total
Balance at 1 January 2020	**516,419**	**81,026**	**597,445**
Additions	77,176	91,269	168,445
Disposals	(38,099)	(67,014)	(105,113)
Balance at 31 December 2020	**555,496**	**105,281**	**660,777**
Depreciation and impairment losses			
Balance at 1 January 2020	**(401,161)**	**-**	**(401,161)**
Charge for the year	(51,919)	-	(51,919)
Disposals	38,237	-	38,237
Balance at 31 December 2020	**(414,843)**	**-**	**(414,843)**
Carrying amounts			
At 1 January 2020	**115,258**	**81,026**	**196,284**
At 31 December 2020	**140,653**	**105,281**	**245,934**

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**

28. INTANGIBLE ASSETS *(continued)*

31.12.2020 In RON thousands	Intangible assets	Bank Intangible assets in progress	Total
Balance at 1 January 2020	**463,445**	**81,026**	**544,471**
Additions	68,807	91,269	160,076
Disposals	(17,261)	(67,014)	(84,275)
Balance at 31 December 2020	**514,991**	**105,281**	**620,272**
Depreciation and impairment losses			
Balance at 1 January 2020	**(357,955)**	**-**	**(357,955)**
Charge for the year	(47,431)	-	(47,431)
Disposals	17,090	-	17,090
Balance at 31 December 2020	**(388,296)**	**-**	**(388,296)**
Carrying amounts			
At 1 January 2020	**105,490**	**81,026**	**186,516**
At 31 December 2020	**126,695**	**105,281**	**231,976**

31.12.2019 In RON thousands	Intangible assets	Bank 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**

29. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and deferred tax liabilities at 31 December 2020 are attributable to the items detailed in the table below:

31.12.2020		Group			Bank	
In RON thousands	Assets	Liabilities	Net	Assets	Liabilities	Net
Net lease receivables	42,463	-	42,463	-	-	-
Property, equipment and intangible assets	1,040	9,192	(8,152)	1,040	9,192	(8,152)
Other assets	4,708	-	4,708	68	-	68
Provisions, other debts, forecasted expenses	94,580	359	94,221	62,927	154	62,773
Deferred tax asset/ (liability) at 16% through profit and loss account	**142,791**	**9,551**	**133,240**	**64,035**	**9,346**	**54,689**
FVTOCI instruments	2,676	23,230	(20,554)	2,676	23,230	(20,554)
Derivative financial instruments held for hedging	8,846	-	8,846	8,846	-	8,846
Tangible fixed assets revaluation reserve	-	1,735	(1,735)	-	1,735	(1,735)
Deferred tax asset/ (liability) at 16% through equity	**11,522**	**24,965**	**(13,443)**	**11,522**	**24,965**	**(13,443)**
Deferred tax asset/ (liability) at 16%	**154,313**	**34,516**	**119,797**	**75,557**	**34,311**	**41,246**

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	97,573	78	97,495	66,141	-	66,141
Deferred tax asset/ (liability) at 16% through profit and loss account	**138,762**	**9,672**	**129,090**	**67,027**	**9,594**	**57,433**
FVTOCI instruments	6,595	10,468	(3,873)	6595	10,468	(3,873)
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	**15,706**	**12,330**	**3,376**	**15,706**	**12,330**	**3,376**
Deferred tax asset/ (liability) at 16%	**154,468**	**22,002**	**132,466**	**82,733**	**21,924**	**60,809**

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

Taxes recognized in other comprehensive income at 31 December 2020 are presented in the table below:

31.12.2020		Group			Bank	
In RON thousands	Before Tax	Deferred Tax	Net of tax	Before Tax	Deferred Tax	Net of tax
FVTOCI reserve i)	128,462	(20,554)	107,908	128,462	(20,554)	107,908
Cash flow hedging reserve ii)	(55,287)	8,846	(46,441)	(55,287)	8,846	(46,441)
Revaluation reserve on property, plant and equipment iii)	14,457	(1,735)	12,722	14,457	(1,735)	12,722

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)	24,203	(3,873)	20,330	24,203	(3,873)	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

i) The movements in the Reserve for financial assets at fair value through other comprehensive income at 31 December 2020 are presented below:

31.12.2020		Group			Bank	
In RON thousands	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
January 1	**24,203**	**(3,873)**	**20,330**	**24,203**	**(3,873)**	**20,330**
Transfer to profit and loss	(47,322)	7,572	(39,750)	(47,322)	7,572	(39,750)
Net change in other comprehensive income	151,581	(24,253)	127,328	151,581	(24,253)	127,328
December 31	**128,462**	**(20,554)**	**107,908**	**128,462**	**(20,554)**	**107,908**

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 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	**(107,385)**	**18,815**	**(88,570)**	**(107,385)**	**18,815**	**(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	143,429	(24,582)	118,847	143,429	(24,582)	118,847
December 31	**24,203**	**(3,873)**	**20,330**	**24,203**	**(3,873)**	**20,330**

ii) The movements in the Cash flow hedging reserve at 31 December 2020 are presented below:

31.12.2020		Group			Bank	
In RON thousands	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
1 January	**(56,944)**	**9,111**	**(47,833)**	**(56,944)**	**9,111**	**(47,833)**
Transfer to profit and loss	931	(149)	782	931	(149)	782
Net change in other comprehensive income	726	(116)	610	726	(116)	610
31 December	**(55,287)**	**8,846**	**(46,441)**	**(55,287)**	**8,846**	**(46,441)**

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	(3,396)	543	(2,853)	(3,396)	543	(2,853)
31 December	**(56,944)**	**9,111**	**(47,833)**	**(56,944)**	**9,111**	**(47,833)**

30. OTHER FINANCIAL AND NON-FINANCIAL ASSETS

	Group		Bank	
In RON Thousand	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Other financial assets				
Suspense accounts - banks	77,452	45,971	77,452	45,971
Suspense accounts - non-banks	8,224	16,960	8,224	16,960
Sundry debtors	61,101	80,995	33,834	36,070
Collateral deposits	2,214	2,327	2,194	2,307
Amounts receivables	18,986	22,480	20,528	25,382
Total gross amounts	**167,977**	**168,733**	**142,232**	**126,690**
Less impairment for sundry debtors	(24,537)	(25,923)	(24,537)	(25,923)
Total other financial assets	**143,440**	**142,810**	**117,695**	**100,767**
Other non-financial assets				
Sundry debtors	44,089	96,090	23,605	26,981
Prepaid Expenses	40,637	54,421	15,094	12,906
Inventories (including repossessed assets)*	15,003	16,116	1,498	3,261
Other	32,494	25,448	32,666	25,807
Total gross amounts	**132,223**	**192,075**	**72,863**	**68,956**
Less impairment for sundry debtors	(5,921)	(890)	(5,921)	(890)
Total other non-financial assets	**126,302**	**191,185**	**66,942**	**68,066**
Total other assets	**269,742**	**333,995**	**184,637**	**168,833**

The Group booked as prepayments, during 2020 and 2019 prepaid rents, local taxes, insurance for premises and bankers' blanket bond (insurance).

Repossessed assets

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

	Group			
In RON Thousand	Inventories*	Non-current assets and disposal groups	Property, plant and equipment**	Total
Balance at 31 of December 2019	12,429	-	9,359	21,788
Balance at 31 of December 2020	13,306	-	9,501	22,807

	Bank			
In RON Thousand	Inventories*	Non-current assets and disposal groups	Property, plant and equipment**	Total
Balance at 31 of December 2019	328	-	-	328
Balance at 31 of December 2020	324	-	-	324

* *Repossessed assets are presented in Inventories line – Other non-financial assets from Statement of Financial Position.*
** *From the position of Inventories-repossessed assests/Other non-financial assets line, the Group reclassified in 2019 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. At 31 of December 2020 the carrying amount of inventories-repossessed assests reclassified to Property, Plant and Equipment is RON thousands 7,643 (gross book value RON thousands 22,931/cummulated depreciations and impairments RON thousands 15,288) and the carrying amount of inventories-repossessed assests reclassified to Motor vehicles is RON thousands 32 (gross book value RON thousands 55/cummulated depreciations and impairments RON thousands 23).*
*** *During 2019, the Group sold repossessed assets reclassified as non-current assets held for sale as presented on Note 17 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	31.12.2020			31.12.2019		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Interest rate swap - CFH	248,741	-	(60,749)	269,413	-	(62,289)
Interest rate swap - FVH	146,082	-	(20,467)	573,516	-	(52,563)
Total Interest Rate Swap - Hedges	**394,823**	**-**	**(81,216)**	**842,929**	**-**	**(114,852)**

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

	Group					
	31.12.2020			31.12.2019		
in RON thousands	Within 1 year	1-5 years	Over 5 years	Within 1 year	1-5 years	Over 5 years
Cash outflow	(845)	(13,155)	(49,769)	(824)	(12,093)	(53,242)

As 31 December 2020, 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 client 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.

	Group					
in RON thousands	31.12.2020			31.12.2019		
CFH	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Interest rate swap (USD)	4,541	-	(1,012)	4,879	-	(820)
Total	**4,541**	**-**	**(1,012)**	**4,879**	**-**	**(820)**

32. DEPOSITS FROM BANKS

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Term deposits	242,942	1,002,896	242,942	1,002,896
Sight deposits	352,134	663,391	352,134	663,391
Total	**595,076**	**1,666,287**	**595,076**	**1,666,287**

33. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Commercial Banks	4,201,593	5,539,000	81,405	101,543
Multilateral development banks	727,557	777,950	696,798	666,141
International financial institutions	635,517	166,286	-	27,583
Total	**5,564,667**	**6,483,236**	**778,203**	**795,267**

As at 31 December 2020, the final maturity of loans varies from December 2021 to May 2025.

During 2020, **UniCredit Bank** made withdrawals in the total amount of EUR 40 million (equivalent to RON thousands 193,660) due in 2025 from a facility approved in 2018 by the European Investment Bank. The funds were withdrawn in order to finance the eligible investment projects in Romania for the clients from the Small and Medium segments.

UniCredit Consumer Financing IFN SA made during the year 2020 withdrawals from a facility approved in 2017 by the European Bank for Reconstruction and Development and the International Cooperation and Development Fund from Taiwan in the total amount of RON 46 million with a maturity of 3 years. The funds withdrawn in order to finance investments projects aimed at energy efficiency measures for residential buildings. This product is intended for individuals through the product "Green Credit".

UniCredit Leasing Corporation IFN carried out in 2020 withdrawals in the total amount of EUR 145 million (equivalent to RON thousands 705,438): EUR 20 mil (equivalent to RON thousands 96.888) due in 2025 from a facility approved in 2019 by the European Investment Bank. The funds were withdrawn for the purpose of granting leasing loans to the SME customer segment; EUR 75 mil (equivalent to RON thousands 365,235) due in 2025 from a facility approved in 2020 by the COUNCIL OF EUROPE DEVELOPMENT BANK. The funds were withdrawn for the purpose of supporting MSMEs for the creation and preservation of viable jobs; EUR 50 mil (equivalent to RON thousands 243,315) due in 2023 from a facility approved in 2020 by CITIBANK EUROPE PLC. The funds were withdrawn for the purpose of granting leasing loans to any type of customer.

In 2020, several loans have matured, being fully paid and thus closed. **UniCredit Bank** closed last year a loan of EUR 80 million contracted in 2012 and disbursed in 2013 from European Investment Bank. **UniCredit Leasing** repaid at maturity a loan of EUR 29 million granted by International Finance Corporation in 2013 and disbursed in 2014. Also, UniCredit Leasing closed a loan of RON 70 million granted by ING in 2015.

34. DEPOSITS FROM CUSTOMERS

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Term deposits	8,215,363	8,871,596	8,215,363	8,913,628
Payable on demand	26,658,000	23,818,578	27,146,663	24,551,843
Collateral deposits	898,740	1,248,561	896,793	1,241,078
Certificates of deposits	262	215	262	215
Total	**35,772,365**	**33,938,950**	**36,259,081**	**34,706,764**

As of 31 December 2020, retail clients (individuals and small and medium companies) represent 38% of the portfolio, corporate accounts for 56% of the portfolio, while private banking clients represents 6% (31 December 2019: retail clients 33%, corporate clients 61%, private banking clients 6%).

35. DEBT SECURITIES ISSUED

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Debt securities issued	1,922,036	2,044,046	470,747	621,823
Total	**1,922,036**	**2,044,046**	**470,747**	**621,823**

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

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

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.

During Q3 2020 the Bank reimbursed the amount of RON thousands 146,000 to the own issued bonds holders, as ISIN ROUCTBDB022 matured on July 15th.

36. SUBORDINATED LIABILITIES

In RON thousands	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
UniCredit SPA	822,466	807,304	822,466	807,304
UniCredit Bank Austria AG	107,127	105,145	-	-
Total	**929,593**	**912,449**	**822,466**	**807,304**

As of 31 December 2020, the following agreements were in place:

- subordinated debt from UniCredit SPA, Italy, in amount of in eq. RON thousands 236,166 (EUR thousands 48,500), with maturity in July 2027, beneficiary UniCredit Bank S.A.;
- subordinated debt from UniCredit SPA, Italy, in amount of in eq. RON thousands 584,328 thousands (EUR thousands 120,000), with maturity in December 2027, beneficiary UniCredit Bank S.A.;
- subordinated debt from UniCredit Bank Austria AG, in amount of in eq. RON thousands 107,127 (EUR thousands 22,000), with indefinite maturity, beneficiary Unicredit Leasing Corporation IFN S.A.;

Interest accrued amounts to eq. RON thousands 1,972 (EUR thousands 405).

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

37. PROVISIONS

	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
Provision for financial guarantees	106,322	93,261	110,894	120,009
Provision for legal disputes	23,931	41,278	10,686	11,176
Provision for off-balance commitments	70,613	62,179	65,472	58,473
Other provisions	22,710	44,241	6,822	29,161
Total	**223,576**	**240,959**	**193,874**	**218,819**

The movements in provisions during the year were as follows:

In RON thousands	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
Balance at 31 December	**240,959**	**205,454**	**218,819**	**202,412**
Net expense/(release) with provision for financial guarantees and off-balance commitments (Note 16)	(1,915)	995	(3,313)	886
Net expense/(release) with provision for legal disputes (Note 16)*	(17,262)	15,842	(317)	(2,063)
Net expense/(release) with other provisions (Note 16)**	(733)	16,372	(23,713)	15,342
FX effect	2,527	2,296	2,398	2,242
Balance at 31 December	**223,576**	**240,959**	**193,874**	**218,819**

** Following the completion of the Competition Council investigation launched in 2017 (targeting the Association of Romanian Financial Companies - ALB and its 16 member companies), the Competition Council announced the sanction of UCLC with the amount of RON thousands 9,054. As a result of this decision, the additional provision established in previous years was reversed, generating a positive impact of RON thousands 16,034.*

*** In September 2020, the result of the tax audit for the period 2013 – 2017 was received by the Bank, consisting in additional tax expenses of RON thousands 62,656. Following the payment of this amount to the authorities, the Bank released the existing Provision for Risk and Charges in amount of RON thousands 26,660 and booked additional Income Tax expense, representing the amount established by the tax authorities as being additionally due, in amount of RON thousands 62,656.*

38. OTHER LIABILITIES

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Other financial liabilities				
Suspense accounts - banks	197,393	166,948	197,393	166,948
Suspense accounts - non-banks	128,438	68,136	128,438	67,137
Accruals for third party services	44,095	55,428	31,112	37,800
Amounts payable to suppliers	53,429	31,210	4,700	4,032
Sundry creditors	94,689	69,349	91,716	64,645
Total other financial liabilities	**518,044**	**391,071**	**453,359**	**340,562**
Other non-financial liabilities				
Deferred income	118,958	117,309	81,735	76,960
Payable to state budget	46,655	51,408	23,495	26,239
Amounts due to employees	61,108	66,096	53,985	56,677
Other	16,643	16,588	5,100	7,832
Total other non-financial liabilities	**243,364**	**251,401**	**164,315**	**167,708**
Total other liabilities	**761,408**	**642,472**	**617,674**	**508,270**

39. ISSUED CAPITAL

The statutory share capital of the Bank as at 31 December 2020 is represented by 48,948,331 ordinary shares (31 December 2019: 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	
	31.12.2020	31.12.2019
	%	%
UniCredit SpA*)	98.6298	98.6298
Other shareholders	1.3702	1.3702
Total	**100**	**100**

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

The share capital comprises of the following:

	Bank	
	31.12.2020	31.12.2019
Statutory share capital	455,219	455,219
Effect of hyperinflation – IAS 29	722,529	722,529
Share capital under IFRS	**1,177,748**	**1,177,748**

40. OTHER RESERVES

The breakdown of other reserves is presented below:

	Group		Bank	
In RON thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Statutory general banking risks	115,785	115,785	115,785	115,785
Statutory legal reserve	91,044	91,044	91,044	91,044
Effect of hyperinflation – IAS 29	19,064	19,064	19,064	19,064
Actuarial (gain)/loss	(953)	-	(953)	-
Other reserves*	100,576	72,396	100,576	72,396
Total	**325,516**	**298,289**	**325,516**	**298,289**

**) According to the decision of the General Meeting of Shareholders of 8 April 2020, it was decided to allocate a part of the Bank's net profit for 2019 (572,920 RON thousands) to the reinvested profit reserve amounting to 28,180 RON thousands, exempt from the payment of the profit tax according to art. 22 of Law 227/2015, and to reinvest of the net profit remained undistributed amounting to 544,740 RON thousands. Of the 2020 profit, the Bank will also propose to Supervisory Board and General Shareholders' Meeting the distribution in 2021 to the reinvested profit reserve, of an amount of RON 39,980 thousands, exempt from the payment of the profit tax according to 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			
	31.12.2020		31.12.2019	
	Parent Company	Other related entities	Parent Company	Other related entities
Derivative assets at fair value through profit or loss	16,445	10,306	734	11,230
Current accounts and deposits at banks	5,844,315	30,394	5,783,679	18,316
Loans and advances to banks	21,985	2,997	64,720	9,210
Loans and advances to customers	-	23,054	-	40,971
Other assets	10,754	23,528	32,996	27,481
Outstanding receivables	**5,893,499**	**90,279**	**5,882,129**	**107,208**
Derivative liabilities at fair value through profit or loss	17,578	24,632	16,797	47,413
Derivatives liabilities designated as hedging instruments	20,466	60,749	47,866	66,984
Current accounts	13,378	275,492	14,300	159,076
Deposit attracted	696	78,395	-	932,699
Loans received	3,256,835	659,508	4,668,786	792,919
Debts securities issued	-	-	-	25,635
Subordinated liabilities	822,466	107,127	807,305	105,145
Other liabilities	4,474	3,088	6,350	4,728
Outstanding payables	**4,135,893**	**1,208,991**	**5,561,403**	**2,134,599**
Interest income	154	631	24,675	1,034
Interest expense	(154,450)	(47,318)	(184,279)	(78,533)
Fee and commission income	824	13,443	1,732	33,038
Fee and commission expense	(137)	(3,463)	(158)	(161)
Other operating income	-	2,240	-	2,546
Operating expenses	(1,597)	(48,671)	(1,784)	(57,450)
Net revenue/(expense)	**(155,206)**	**(83,138)**	**(159,814)**	**(99,526)**
Commitments	**159,367**	**413,952**	**131,494**	**379,648**

41. RELATED PARTY TRANSACTIONS *(continued)*

In RON thousands	Bank					
	31.12.2020			31.12.2019		
	Parent Company	Subsidiaries	Other related entities	Parent Company	Subsidiaries	Other related entities
Derivative assets at fair value through profit or loss	16,445	18	10,306	734	1	11,230
Current accounts and deposits at banks	5,844,315	-	23,292	5,783,679	-	18,316
Loans and advances to banks	21,985	-	2,997	64,720	-	9,210
Loans and advances to customers	-	-	23,054	-	-	37,940
Other assets	10,403	1,536	15,631	29,238	2,902	10,231
Outstanding receivables	**5,893,148**	**1,554**	**75,280**	**5,878,371**	**2,903**	**86,927**
Derivative liabilities at fair value through profit or loss	17,578	-	24,632	16,797	-	47,413
Derivatives liabilities designated as hedging instruments	20,466	-	60,749	47,866	-	66,984
Current accounts	13,378	465,116	275,492	14,300	739,926	157,187
Deposit attracted	696	372	77,688	-	43,759	929,610
Loans received	-	-	39,625	-	-	33,582
Subordinated liabilities	822,466	-	-	807,305	-	-
Other liabilities	4,474	-	3,088	6,350	-	4,728
Outstanding payables	**879,058**	**465,488**	**481,274**	**892,618**	**783,685**	**1,239,504**
Interest income	154	11	631	24,675	9	812
Interest expense	(58,826)	(540)	(12,624)	(86,949)	(412)	(36,279)
Fee and commission income	824	16,531	13,443	1,732	34,375	5,573
Fee and commission expense	(137)	-	(3,455)	(158)	(1,086)	(151)
Other operating income	-	4,551	407	-	2,909	392
Operating expenses	(1,597)	(35)	(47,682)	(1,784)	-	(57,450)
Net revenue/(expense)	**(59,582)**	**20,518**	**(49,280)**	**(62,484)**	**35,795**	**(87,103)**
Commitments	**159,367**	**49,040**	**413,952**	**131,494**	**114,627**	**379,539**

Transactions with key management personnel

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

In RON thousands	Group	
	2020	**2019**
Loans	9,270	12,291
Current accounts and deposits	17,681	26,505
Interest and similar income	121	859
Interest expenses and similar charges	(52)	(110)

In addition to wages, the Bank provides executive directors and executives with non-monetary benefits and participation in the UniCredit Holding's options scheme. The UniCredit Group's Scheme of Compliance fully complies with the Group's legal provisions and Compensation Policy.

42. COMMITMENTS AND CONTINGENCIES

i) Off-balance-sheet commitments

At any time, the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Maturities are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the end of reporting period if counterparties failed completely to perform as contracted.

The breakdown for off balance sheet exposures by IFRS 9 stages is presented below:

	Group			
In RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2020
Loan commitments	**11,033,071**	**143,735**	**-**	**11,176,806**
Committed	2,383,535	53,523	-	2,437,058
Uncommitted	8,649,536	90,212	-	8,739,748
Letters of credit	108,344	1,001	-	109,345
Guarantees issued	3,834,384	151,841	-	3,986,225
Gross amount	**14,975,799**	**296,577**	**-**	**15,272,376**
Allowance for impairment - Loan commitments	(14,079)	(53,557)	-	(67,636)
Allowance for impairment - Letters of credit	(963)	(743)	-	(1,706)
Allowance for impairment - Guarantees issued	(32,264)	(73,852)	-	(106,116)
Total loss allowance	**(47,306)**	**(128,152)**	**-**	**(175,458)**
Carrying amount	**14,928,493**	**168,425**	**-**	**15,096,918**

	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 commitments	(11,115)	(48,369)	-	(59,484)
Allowance for impairment - Letters of credit	(1,321)	(313)	-	(1,634)
Allowance for impairment - Guarantees issued	(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)

RON thousands	Bank Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2020
Loan commitments	**10,475,443**	**126,747**	**-**	**10,602,190**
committed	1,825,907	36,536	-	1,862,443
uncommitted	8,649,536	90,211	-	8,739,747
Letters of credit	113,145	1,000	-	114,145
Guarantees issued	3,834,756	151,843	-	3,986,599
Gross amount	**14,423,344**	**279,590**	**-**	**14,702,934**
Allowance for impairment - Loan commitments	(11,473)	(52,292)	-	(63,765)
Allowance for impairment - Letters of credit	(964)	(743)	-	(1,707)
Allowance for impairment - Guarantees issued	(36,839)	(73,852)	-	(110,691)
Total loss allowance	**(49,276)**	**(126,887)**	**-**	**(176,163)**
Carrying amount	**14,374,068**	**152,703**	**-**	**14,526,771**

RON thousands	Bank 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 commitments	(8,481)	(48,358)	-	(56,839)
Allowance for impairment - Letters of credit	(1,321)	(313)	-	(1,634)
Allowance for impairment - Guarantees issued	(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**

The split into stages of the off-balance sheet exposure related to the commitments assumed within the financial leasing contracts offered is presented below:

RON thousands	UCLC (Unicredit Leasing Corporation) Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	31.12.2020
Loan commitments	**90,900**	**1,804**	**-**	**92,704**
committed	90,900	1,804	-	92,704
Gross amount	**90,900**	**1,804**	**-**	**92,704**
Allowance for impairment - Loan commitments	(1,038)	(238)	-	(1,276)
Total loss allowance	**(1,038)**	**(238)**	**-**	**(1,276)**
Carrying amount	**89,862**	**1,566**	**-**	**91,428**

42. COMMITMENTS AND CONTINGENCIES *(continued)*

i) Off-balance-sheet commitments (continued)

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

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 2020 is EUR 23,343,438 (31 December 2019: EUR 27,211,827).

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 2020, 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 23,931 (31 December 2019: RON thousands 41,278) is neceessary to be booked.

As at 31 December 2020, 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 6,836 (31 December 2019: RON thousands 7,326) 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 2019 and 2020 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 statements as of 31 December 2020:

31.12.2020			Group			
In RON thousands	CIB	PB	Leasing	Retail	Other	Total
Net interest income	565,521	9,786	118,421	511,872	103,066	1,308,666
Net fee and commission income	135,633	2,754	37,125	127,875	3,219	306,606
Net income from trading and other financial instruments which are not at fair value through profit or loss	273,776	3,824	-	59,595	24,415	361,610
FX Gains/ (Losses)	68,079	-	13,375	(137)	(77)	81,240
Dividend income	-	-	-	-	1,972	1,972
Other operating income	931	2,797	13,580	3,326	(1,915)	18,719
Operating income	**1,043,940**	**19,161**	**182,501**	**702,531**	**130,680**	**2,078,813**
Operating expenses	(319,800)	(15,099)	(57,149)	(521,198)	8,309	(904,937)
Net operating income	**724,140**	**4,062**	**125,352**	**181,333**	**138,989**	**1,173,876**
Net impairment losses on financial assets	(277,714)	322	(70,331)	(185,182)	21,987	(510,918)
Losses on modifications of financial assets	-	-	-	(2,673)	-	(2,673)
Net provision losses	-	-	16,369	(1,550)	5,091	19,910
Net gains/(loss) from other investment activities	-	-	-	-	(5,527)	(5,527)
Profit before taxation	**446,426**	**4,384**	**71,390**	**(8,072)**	**160,540**	**674,668**
Income tax	(71,000)	(702)	(12,472)	(7,290)	(79,271)	(170,735)
Net profit for the year	**375,426**	**3,682**	**58,918**	**(15,362)**	**81,269**	**503,933**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Group's income statements as of 31 December 2019:

31.12.2019			Group			
In RON thousands	CIB	PB	Leasing	Retail	Other	Total
Net interest income	476,239	11,590	127,454	549,249	159,698	1,324,230
Net fee and commission income	150,450	3,491	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	300,668	2,736	-	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	1,373	15	7,850	4,650	(3,927)	9,961
Operating income	**1,012,477**	**17,832**	**188,086**	**759,360**	**185,150**	**2,162,905**
Operating expenses	(345,668)	(5,823)	(59,740)	(582,366)	19,304	(974,293)
Net operating income	**666,809**	**12,009**	**128,346**	**176,994**	**204,454**	**1,188,612**
Net impairment losses on financial assets	(159,503)	(13,061)	(30,547)	(179,400)	(4,508)	(387,019)
Losses on modifications of financial assets	-	-	-	(304)	-	(304)
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	**507,306**	**(1,052)**	**78,323**	**(6,101)**	**190,457**	**768,933**
Income tax	(81,168)	168	(19,059)	(5,543)	(25,756)	(131,358)
Net profit for the year	**426,138**	**(884)**	**59,264**	**(11,644)**	**164,701**	**637,575**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Bank's income statements as of 31 December 2020:

31.12.2020			Bank		
In RON thousands	CIB	PB	Retail	Other	Total
Net interest income	565,521	9,786	310,506	103,018	988,831
Net fee and commission income	135,633	2,754	133,871	337	272,595
Net income from trading and other financial instruments which are not at fair value through profit or loss	273,776	3,824	53,067	24,338	355,005
FX Gains/ (Losses)	68,079	-	-	-	68,079
Dividend income	-	-	-	1,972	1,972
Other operating income	931	2,797	5,370	2,154	11,252
Operating income	**1,043,940**	**19,161**	**502,814**	**131,819**	**1,697,734**
Operating expenses	(319,800)	(15,099)	(472,116)	1,871	(805,144)
Net operating income	**724,140**	**4,062**	**30,698**	**133,690**	**892,590**
Net impairment losses on financial assets	(277,714)	322	(89,218)	149	(366,461)
Losses on modifications of financial assets	-	-	(2,673)	-	(2,673)
Net provision losses	-	-	-	27,343	27,343
Net gains/(loss) from other investment activities	-	-	-	(5,527)	(5,527)
Profit before taxation	**446,426**	**4,384**	**(61,193)**	**155,655**	**545,272**
Income tax	(71,428)	(702)	9,791	(79,271)	(141,610)
Net profit for the year	**374,998**	**3,682**	**(51,402)**	**76,384**	**403,662**

43. OPERATING SEGMENTS *(continued)*

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

31.12.2019			Bank		
In RON thousands	CIB	PB	Retail	Other	Total
Net interest income	476,239	11,590	313,621	159,663	961,113
Net fee and commission income	150,450	3,491	142,800	263	297,004
Net income from trading and other financial instruments which are not at fair value through profit or loss	300,668	2,736	68,266	25,056	396,726
FX Gains/ (Losses)	83,747	-	-	-	83,747
Dividend income	-	-	-	1,971	1,971
Other operating income	1,373	15	5,573	(151)	6,810
Operating income	**1,012,477**	**17,832**	**530,260**	**186,802**	**1,747,371**
Operating expenses	(345,668)	(5,823)	(526,694)	13,847	(864,338)
Net operating income	**666,809**	**12,009**	**3,566**	**200,649**	**883,033**
Net impairment losses on financial assets	(159,503)	(13,061)	(17,962)	(327)	(190,853)
Losses on modifications of financial assets	-	-	(304)	-	(304)
Net provision losses	-	-	-	(14,165)	(14,165)
Net gains/(loss) from other investment activities	-	-	-	(396)	(396)
Profit before taxation	**507,306**	**(1,052)**	**(14,700)**	**185,761**	**677,315**
Income tax	(81,168)	168	2,352	(25,747)	(104,395)
Net profit for the year	**426,138**	**(884)**	**(12,348)**	**160,014**	**572,920**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Group's consolidated statement of financial position as of 31 December 2020:

31.12.2020			Group			
In RON thousands	CIB	PB	Leasing	Retail	Other	Total
Total assets	**17,888,013**	**58,474**	**5,073,671**	**10,199,566**	**18,748,816**	**51,968,540**
Total liabilities	19,931,658	2,059,869	4,647,146	13,860,311	5,627,607	46,126,591
Total equity	-	-	-	-	5,841,949	5,841,949
Total liabilities and equity	**19,931,658**	**2,059,869**	**4,647,146**	**13,860,311**	**11,469,556**	**51,968,540**

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

31.12.2019			Group			
In RON thousands	CIB	PB	Leasing	Retail	Other	Total
Total assets	**23,989,652**	**90,073**	**5,310,972**	**10,614,054**	**11,521,857**	**51,526,608**
Total liabilities	21,599,312	1,914,855	4,965,546	11,548,820	6,255,284	46,283,817
Total equity	-	-	-	-	5,242,791	5,242,791
Total liabilities and equity	**21,599,312**	**1,914,855**	**4,965,546**	**11,548,820**	**11,498,075**	**51,526,608**

43. OPERATING SEGMENTS *(continued)*

Segment reporting on Bank's separate statement of financial position as of 31 December 2020:

31.12.2020			Bank		
In RON thousands	CIB	PB	Retail	Other	Total
Total assets	**17,888,013**	**58,474**	**8,191,298**	**19,307,973**	**45,445,758**
Total liabilities	19,931,658	2,059,869	13,797,052	4,296,461	40,085,040
Total equity	-	-	-	5,360,718	5,360,718
Total liabilities and equity	**19,931,658**	**2,059,869**	**13,797,052**	**9,657,179**	**45,445,758**

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

31.12.2019			Bank		
In RON thousands	CIB	PB	Retail	Other	Total
Total assets	**23,989,652**	**90,073**	**8,075,584**	**12,385,848**	**44,541,157**
Total liabilities	21,599,312	1,914,855	11,497,181	4,660,759	39,672,107
Total equity	-	-	-	4,869,050	4,869,050
Total liabilities and equity	**21,599,312**	**1,914,855**	**11,497,181**	**9,529,809**	**44,541,157**

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

The Group acts as the lessee in operating lease agreements for motor vehicles and rental of spaces. Leases are denominated in EUR, USD and RON and are signed for a period between 1 and 15 years.

The tables below present the movement of the Right of Use since the date of applying IFRS 16, i.e. 1 January 2019.

31.12.2020	Group			Bank		
in RON thousands	Cars	Lands and buildings	Total	Cars	Lands and buildings	Total
Balance at 1 January 2020	**14,916**	**159,320**	**174,236**	**12,763**	**147,683**	**160,446**
New Contracts	83	13,060	13,143	-	13,060	13,060
Contracts Modifications	6	74,982	74,988	81	74,950	75,031
Depreciation during the period (-)	(4,094)	(59,484)	(63,578)	(3,256)	(55,385)	(58,641)
Balance at 31 December 2020	**10,911**	**187,878**	**198,789**	**9,588**	**180,308**	**189,896**

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**

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

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

31.12.2020	Group			Bank		
in RON thousands	Cars	Lands and buildings	Total	Cars	Lands and buildings	Total
Balance at 1 January 2020	**14,892**	**149,008**	**163,900**	**12,712**	**146,040**	**158,752**
Interest Expense	99	1,155	1,254	16	1,023	1,039
Lease Payments - Principal	(4,126)	(53,316)	(57,442)	(3,287)	(53,713)	(57,000)
Lease Payments - Interest	(100)	(1,236)	(1,336)	(17)	(1,104)	(1,121)
New Contracts	79	13,037	13,116	-	13,037	13,037
Contracts Modifications	24	74,360	74,384	81	74,969	75,050
FX Impact	215	2,745	2,960	215	2,745	2,960
Balance at 31 December 2020	**11,083**	**185,753**	**196,836**	**9,720**	**182,997**	**192,717**

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	(2,204)	(52,627)	(54,831)	(1,514)	(51,575)	(53,089)
Lease Payments - Interest	(123)	(1,834)	(1,957)	(18)	(1,669)	(1,687)
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**

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

The table below presents the amounts recognized in the Income statement for IFRS 16 related positions and amounts for leases not included in IFRS 16 related positions (expenses relating to short-term leases and expenses relating to leases of low-value assets, excluding short-term leases of low-value assets).

31.12.2020	Group				Bank			
In RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Expenses with depreciation related to the rights of use	(4,094)	(59,484)	-	(63,578)	(3,256)	(55,385)	-	(58,641)
Expenses with interest on lease liabilities	(99)	(1,155)	-	(1,254)	(16)	(1,023)	-	(1,039)
Expenses related to short-term leases not included in IFRS 16 related positions	(1,517)	(3,276)	-	(4,793)	(844)	(3,276)	-	(4,120)
Expenses related to leases of low-value assets, excluding short-term lease of low-value assets, not included in IFRS 16 related positions	-	-	(1,400)	(1,400)	-	-	(1,400)	(1,400)
Total	**(5,710)**	**(63,915)**	**(1,400)**	**(71,025)**	**(4,116)**	**(59,684)**	**(1,400)**	**(65,200)**

31.12.2019	Group				Bank			
In RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Expenses with depreciation related to the rights of use	(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)
Expenses related to short-term leases not included in IFRS 16 related positions	(1,772)	(5,992)	-	(7,764)	(750)	(5,992)	-	(6,742)
Expenses related to leases of low-value assets, excluding short-term lease of low-value assets, not included in IFRS 16 related positions	-	-	(1,586)	(1,586)	-	-	(1,586)	(1,586)
Total	**(3,926)**	**(65,520)**	**(1,586)**	**(71,032)**	**(2,087)**	**(61,275)**	**(1,586)**	**(64,948)**

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

The tables below depict the amounts recognised in Statement of Cash Flows for IFRS 16 related positions and for leases not included in IFRS 16 related positions.

31.12.2020	Group				Bank			
in RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Lease Payments – Principal	4,126	53,316	-	57,442	3,287	53,713	-	57,000
Lease Payments – Interest	100	1,236	-	1,336	17	1,104	-	1,121
Payments for short-term leases not included in IFRS 16 related positions	1,517	3,276	-	4,793	844	3,276	-	4,120
Payments for leases of low-value assets, excluding short-term lease of low-value assets, not included in IFRS 16 related positions	-	-	1,400	1,400	-	-	1,400	1,400
Total cash outflow for leases	**5,743**	**57,828**	**1,400**	**64,971**	**4,148**	**58,093**	**1,400**	**63,641**

31.12.2019	Group				Bank			
in RON thousands	Cars	Lands and buildings	Other equipment	Total	Cars	Lands and buildings	Other equipment	Total
Lease Payments - Principal	2,204	52,627	-	54,831	1,514	51,575	-	53,089
Lease Payments - Interest	123	1,834	-	1,957	18	1,669	-	1,687
Payments for short-term leases not included in IFRS 16 related positions	1,772	5,992	-	7,764	750	5,992	-	6,742
Payments for leases of low-value assets, excluding short-term lease of low-value assets, not included in IFRS 16 related positions	-	-	1,586	1,586	-	-	1,586	1,586
Total cash outflow for leases	**4,099**	**60,453**	**1,586**	**66,138**	**2,282**	**59,236**	**1,586**	**63,104**

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

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

31.12.2020		Group			Bank	
in RON thousands	Cars	Lands and buildings	Total	Cars	Lands and buildings	Total
Up to 3 months	1,024	16,011	17,035	830	15,745	16,575
3 months to 1 year	2,828	40,028	42,856	2,299	39,230	41,529
1 to 2 years	3,243	48,470	51,713	2,763	47,391	50,154
2 to 3 years	2,886	33,500	36,386	2,733	32,886	35,619
3 to 4 years	1,101	28,396	29,497	1,095	28,396	29,491
4 to 5 years	-	11,021	11,021	-	11,021	11,021
Over 5 years	-	8,328	8,328	-	8,328	8,328
Total	11,082	185,754	196,836	9,720	182,997	192,717

31.12.2019		Group			Bank	
in RON thousands	Cars	Lands and buildings	Total	Cars	Lands and buildings	Total
Up to 3 months	1,006	15,086	16,092	812	14,932	15,744
3 months to 1 year	2,998	37,972	40,970	2,433	37,346	39,779
1 to 2 years	3,724	47,553	51,277	2,997	47,039	50,036
2 to 3 years	3,242	26,994	30,236	2,713	26,207	28,920
3 to 4 years	2,831	9,228	12,059	2,682	8,341	11,023
4 to 5 years	1,089	4,174	5,263	1,075	4,174	5,249
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. COVID-19 IMPACT

45.1 COVID- 19 - Measures taken by ECB, EBA and NBR

During 2020, the Governing Council of the European Central Bank (ECB) has decided a number of measures to ensure that its directly supervised banks can continue to fulfil their role in funding the real economy given the economic effects of the Covid-19.

As well, the European Banking Authority (EBA) issued several statements to explain a number of interpretative aspects on the functioning of the prudential framework in relation to the classification of loans in default, the identification of forborne exposures, and their accounting treatment. These clarifications help ensure consistency and comparability in risk metrics across the whole EU banking sector, which are crucial to monitor the effects of the current crisis.

These measures are detailed in the transparency report (Pillar 3 report), published on the Bank's website in the Financial Reports section.

Measures taken by Romanian National Bank

The National Bank of Romania (NBR) adopted a package of measures aimed at mitigating the negative effects of the crisis generated by the coronavirus (Covid-19) pandemic on households and Romanian companies, including the following (as at the date of preparing this report):

- monetary policy measures: (1) to cut the monetary policy rate in four steps (as of 23 March, 2 June, 6 August 2020 and 18 January 2021), by a cumulated 1.25 percentage points, from 2.5% in mid-March to 1.25% on 18 January 2021; (2) to narrow the symmetrical corridor defined by interest rates on standing facilities around the monetary policy rate to ±0.5 percentage points from ±1.0 percentage points as of 23 March 2020. Thus, the deposit facility rate was lowered to 0.75%, while the lending (Lombard) facility rate was lowered to 1.75% from 3.50%. The effect was a reduction of the interest rates on loans to companies and households; (3) to provide liquidity to credit institutions via repo transactions; (4) to purchase RON-denominated government securities on the secondary market to ensure the smooth financing of real economy and the public sector and (5) cut of minimum reserve requirements for foreign exchange liabilities to 5% in two steps, by 2 percentage points in February 2020 and 1 percentage point in November 2020. At the same time, due to the elevated uncertainty surrounding economic and financial developments, the NBR Board also suspended the previously announced calendar of monetary policy meetings and held monetary policy meetings whenever necessary.

- measures to increase the flexibility of the legislative framework so that banks and non-bank financial institutions could help individuals and companies with outstanding loans. Lenders were allowed to delay payments of the loans of any individual or company affected by the Covid-19 pandemic, without applying the conditions related to the level of indebtedness, the loan-to-value limit and the maximum maturity of consumer credit.

- in March 2020, NBR decided to allow banks to temporarily use the capital buffer previously set up, while also keeping in place the legal requirements for such flexibilities. Adapting capital buffers to the new conditions helps banks preserve their support role for the real economy. Furthermore, according to the regulatory framework, banks built and maintained liquidity reserves that may be used to deal with an increased demand for liquidity during times of crisis. Thus, in line with the actions taken to this end at European level, the NBR allows banks not to comply with the minimum liquidity ratio, for the purpose of using these reserves to contribute to the smooth functioning of the banking sector and to help banks ensure sufficient liquidity to firms and households.

- measures regarding the bank resolution: to postpone the deadline for collecting the annual contributions to the bank resolution fund for 2020 by 3 months, with the possibility of extension to up to 6 months; to delay the reporting deadlines of some information on resolution planning, in line with the approach communicated by the European Banking Authority; to correlate the terms and conditions on the minimum requirements for own funds and eligible liabilities (MREL) with the decisions adopted by the Supervisory Committee in the meeting of 20 March 2020.

45. COVID - 19 IMPACT *(continued)*

45.1 Covid - 19 - Measures taken by ECB, EBA and NBR *(continued)*

- operational measures: to ensure the smooth functioning of payment and settlement systems underlying payments in the domestic currency, so that commercial and financial transactions can be performed under normal conditions; the NBR committed to provide banks with continuous cash flows for all operations, including liquidity for ATMs, in case of increased household demand.

45.2. Measures taken by the Romanian State and related accounting impact on the Group

Government measures as per EGO 37/2020 regarding the postponement of loan repayments

The Emergency Governmental Ordinance 37/2020 requiring banks to provide moratorium to all customers impacted by Covid-19 was passed on 30 March 2020, while its Application Norms were passed on 6 April 2020; it covers a maximum period of 9 months of payment postponement, but not later than 31 December 2020, upon request from customers. The moratorium was extended beyond the end of 2020, until March 31st, 2021 (Government Emergency Ordinance no. 227/30.12.2020) and the clients can postpone their reimbursements up to March 31st, 2021 but having a total maximum period of postponement of 9 months (cumulated with the installments postponed during the first moratorium).

Interest accruing during the moratorium for all loans except mortgage loans to private individuals is capitalized and its payment is spread over the duration of the loan. For private individuals' mortgage loans, the interest deemed during the suspension period is treated as an individual claim, to be recovered in maximum 5 years after the suspension ends with no interest applied to it, having 100% guarantee from Ministry of Finance, while the principal is spread over the extended duration of the loan.

Accounting wise, the Covid-19 related moratorium did not determine the derecognition of the credit exposures, due to the fact that the net present value of the loan is not materially impact by this restructuring. Furthermore, considering that interests will accrue on the payment delayed, no modification loss is generally expected, with the exception of mortgage loans for individuals due to the different rules related to accrual of interest.

The impact from the modification loss for mortgage loans for individuals was presented in the consolidated statement of comprehensive income under “Losses on modification of financial assets” caption and was in the amount of RON 2,529 thousands as of 31 December 2020.

In the case of loans and financing through leasing contracts granted by UniCredit Leasing IFN S.A. ("UCLC"), it is not expected a significant decrease in the net present value of loans as a result of this restructuring, given that interest is capitalized.

Also, the net present value of consumer loans granted by UniCredit Consumer Finance IFN S.A. (“UCFIN”) is not expected to significantly decrease as a result of this restructuring, given that interest is capitalized on consumer loans. For the application of the moratorium in the case of credit cards, UCFIN has developed a similar process as in the case of consumer loans, taking into account the official information received from the Ministry of Finance according to which the provisions of the moratorium are applicable to credit card exposures.

In accordance with ESMA and EBA statements and guidelines, the application of the moratorium has not determined an automatic reclassification of the customer from Stage 1 to Stage 2. However, appropriate credit processes have been activated by the Group in all the processes of credit risk assessment considering both qualitative and quantitative triggers in order to evaluate the classification of credit exposure in order to grant the proper classification in Stage 2 or Stage 3 (default) of those credit exposures for which the increase in credit risk is unrelated to Covid-19 outbreak.

The table below summarizes the impact from implementing the EGO 37/2020, as of 31 December 2020 and contains the total amounts due and postponed for repayment until 31 December 2020:

45. COVID IMPACT *(continued)*

45.2. Measures taken by the Romanian State and related accounting impact on the Group *(continued)*

31.12.2020 In RON thousands	Total suspended instalments Group	Total suspended instalments Bank
Households, out of which:	**74,400**	**33,711**
Consumer loans	41,069	380
Mortgages	33,331	33,331
Legal entities (*), out of which,	**876,153**	**876,153**
SME Loans	380,095	380,095
Other Loans	496,058	496,058
Total	**950,553**	**909,864**

(*) Includes also "bullet" reimbursable amounts, without repayment schedule, related to revolving facilities in the total amount of RON thousands 305,405.

IMM Invest Romania program

UniCredit Bank applied for the state guarantee under IMM Invest Romania program, where the legislation has been updated in 2020 in order to allow the SMEs affected by Covid-19 outbreak to cover their liquidity needs for current operations or investments needs by accessing financing solutions (both working capital or investment loans) from the banks under FNGCIMM guarantee scheme (on behalf of Ministry of Public Finance). The initial amount approved was RON 15 billion, amount which was increased to RON 20 billion after the approval from the European Commission at the beginning of August 2020.

Under this guarantee scheme, the loans’ guarantee coverage ranges between 80-90%, depending on the type of company (IMM or Micro Company) and the loan type.

The maximum loan exposure toward a single beneficiary is RON 10mn with a maximum tenor of 72 months for investment loans and RON 5mn with a maximum tenor of 36 months for working capital loans.

EximBank Guarantees under the Covid-19 state aid scheme

The guarantee’s main traits are as follows:

- the guarantee is addressed to Corporate segment, i.e. Large Companies & SMEs (according to EU definition) with 2019 turnover exceeding RON 20 mn and requesting Working Capital Lines of more than RON 5 mn or Investment Loans of more than RON 10 mn (otherwise they will be routed to IMM Invest described above, for zero interest rate for 8 months and no guarantee fee);
- Eligible facilities: investment loans and working capital term loans (revolving & non-cash not allowed); applicable for new loans and/or existing facilities;
- Guarantee rate (covering only loan principal, excluding interest): up to 90% for new loans, 50% for existing facilities.

45. COVID IMPACT *(continued)*

45.3. Covid-19 measures taken by by UniCredit Group in Romania

The main actions already taken by UniCredit Group in the context of Covid-19 crisis are described below:

- All Group Business Continuity Management scenarios have been fully implemented (all critical processes with BCM alternatives are now in place, with a special focus on work from home for most head office employees), materials for employee's protection are widely available, weekly sanitization takes place in all branches and head office with special antiviral materials (gas, liquid);
- The Group preserved Customer Experience during the emergency state, by ensuring basic services continuity (e.g.: ATMs real time status and availability with prompt intervention, constant communication with the external providers) and accelerated the digital onboarding (e.g.: Digital signature for SME deployment, daily Mobile Banking activation campaign in Contact Center, Mobile Banking sales campaign in Contact Center);
- Tight tracking of liquidity & solvency evolution covering strict monitoring of capital position and isolation of potential elements with high volatility or impact, while actively observing market and liquidity developments, as well as clients' behaviour;
- Other than the public moratorium measures (classified as non – forbearance, as described above), UniCredit Group decided to support its clients also by means of other dedicated loan restructurings, in line with the clients' specific necessities; such restructurings are classified as forbearance.

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

The **Bank** had a strong start of the year, however beginning with March, we witnessed a slowdown due to Covid-19 which impacted the entire economy. Due to the resilient business and to the results obtained during the past years, the Bank managed to maintain a good position even in this context with strong levels of capital and liquidity ratios. During 2020, the Bank embedded in the Loan Loss Provisions the effect of the new macroeconomic scenarios into the forward looking information indicator, while NPE ratio remained relatively flat. In terms of Revenues, Net Interest Income was negatively impacted by the ROBOR evolution, while non-net interest income positions were affected by the lockdown period. Customer loan volumes remained flat Y/Y, while Customer deposit increased versus. previous year. Strict cost discipline adds to the factors that led to our bank's solid financial results in 2020, with additional costs related to Covid-19 being fully absorbed.

Regarding **UCLC**, Covid-19 impact materialised in lower new financed volumes compared to previous year, however the requests for rescheduling /suspension partially mitigated the reduction of new financed volumes so that the loan portfolio registered a slight increase compared to previous year. Interest income was below previous year due to higher funding costs however compensated by higher non-interest income results. The general administrative costs registered an important saving compared to previous year, contributing to on overall Gross Operating Profit higher than the previous year and the budgetary estimates.

In the context of Covid-19, **UCFIN** has taken a series of measures to protect its net assets and ensure the continuity of the lending activity in the future period. These measures implied new business calibration with credit risk policies assumed during the Covid-19 outbreak, leverage on UCB banking products (i.e. approving new customers only if their monthly income is cashed in the accounts opened with the UCB) and increased attention to debt collection area. A monitoring process was developed in order to keep close contact with the clients, in order to be able to identify if their financial difficulties were overcome or if it would be necessary to offer in addition a standard restructuring method. On pre-collection phase, with 30 days before the due date, automatic timelines which included SMS's, IVR's (interactive voice recorder) and phone calls were performed on the Moratoria portfolio. Also, a monitoring process was developed for customers with monthly installments delay, involving a strategy based on identifying payment solutions tailored to their needs, including the framework for applying a standard restructuring facility if necessary.

The Group has a limited estimate of the impact of Covid-19 on its future financial position due to significant uncertainties, but has analyzed several scenarios and considers that the assessment of the business continuity principle is appropriate and there is no risk in this regard over the next 12 months.

45. COVID IMPACT *(continued)*

45.4 Financial impact of Covid-19 outbreak on the financial & prudential position of the Group *(continued)*

Liquidity & solvency position

The Group regularly assesses the impact of the Covid-19 outbreak in its business, risk profile and prudential and performance indicators. In this sense, the Group evaluates its performance based on stress testing scenarios on key performance and prudence indicators, strict monitoring of position and liquidity indicators (mainly liquidity coverage rate - “LCR” and liquidity quick ratio), monitoring the evolution of government interest rates due to the high level of market volatility and its impact on the capital base and monitoring the simulations of solvency indicators. The Group stress test results are comfortable; both in terms of solvency and in terms of liquidity UniCredit Romania Group expects to maintain a sound position as compared to regulatory minimum ratios.

Liquidity

During 2020, the following actions were put in place:

- Liquidity Meetings were held on weekly basis (with main focus on actively observing market developments and clients’ behavior, monitoring closely the evolution of liquidity and its drivers, assessing the adequacy of the liquidity buffers through various static and dynamic liquidity simulations);
- Strict monitoring of the evolution of commercial volumes (deposits, loans, undrawn facilities);
- Strict monitoring of the liquidity indicators (actual and forecasts) several scenarios both dynamic and static;
- Managing funding initiatives in order to address liquidity needs of the clients affected by the virus outbreak;
- Keeping sufficient stock of liquid assets in order to offset potential liquidity outflows in case of stress.

Liquidity indicators, calculated according to Regulation 575/2013, are comfortably above the minimum regulatory requirements, as depicted in the tables below, and the Group estimates that it will remain above 100% also for the future:

Ratio	31 December 2019	31 March 2020	30 June 2020	30 September 2020	31 December 2020
	Group	Group	Group	Group	Group
LCR	166.66%	175.66%	177.73%	189.34%	181.32%
NSFR*	159.49%	160.78%	173.30%	171.41%	174.94%
Ratio	31 December 2019	31 March 2020	30 June 2020	30 September 2020	31 December 2020
	Bank	Bank	Bank	Bank	Bank
LCR	155.09%	167.04%	167.29%	178.84%	173.60%
NSFR*	172.85%	171.75%	190.00%	185.90%	187.63%

** Net Stable Funding Ratio*

Solvency

The Group adopted measures for capital preservation due to the unanticipated Covid-19 outbreak such as:

- Strict monitoring of capital position and isolation of potential elements with high volatility;
- The planned distribution of dividends for the financial year ended 31 December 2019 did not take place, so the entire consolidated profit (RON 643 million) was kept in own funds;
- Periodic simulations at consolidated level by using stress testing methodologies regarding the increase of the exchange rate, the increase of the interest rate and the increase of the non-repayment probabilities.

45. COVID IMPACT *(continued)*

45.4 Financial impact of Covid-19 outbreak on the financial & prudential position of the Group *(continued)*

Financial impact of the Covid-19 outbreak on the Group's operating costs and capital expenditure

As a result of the adoption of new safety and legal measures, the Group incurred significant expenditure which has been already recognized in the statement of profit or loss or in the financial position in these consolidated and separate financial statements. The additional expenditure due to COVID-19 situation was however partially offset by savings in other areas, also in the pandemic context, such as Advertising & Marketing (due to canceled uncommitted campaigns in the COVID-19 context) and Expenses related to Personnel (due to canceled trainings and travel expenses).

A summary of the typologies of additional costs incurred following Covid-19 outbreak is detailed below

- **Operating expenses:** RON 7.8 million (of which RON 7.4 million from the Bank, RON 0.3 million from UCLC, RON 0.1 million from UCFIN), including sanitary and related materials (face masks, hygiene kits, disinfection products, thermometer for branches, plexiglas and stickers, protective visors), IT&C (IT and communications) and related costs (increased VPN bandwidth; IT inventory for laptops, monitors for backup locations, mobile phones, Covid-19 communication materials, cash related expenses - outsourcing internal ATMs, other costs;
- **Capital expenditures:** RON 7.7 million (of which RON 6.8 million from the Bank, RON 0.4 million from UCLC, RON 0.5 million from UCFIN), including IT&C (IT and communications) and related costs (laptops, hardware for VPN improvements, licenses, UPS Rosetti backup, new hardware), IT developments due to regulatory requirements, outsourcing internal ATMs; other costs (thermal scanners, improvements and space arrangements).

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 24, 2021 and were signed on its behalf by:

Mr. Catalin Rasvan Radu	**Mr. Philipp Gamauf**
Chief Executive Officer	**Chief Financial Officer**

Do the right thing!
for the Real Economy

We quickly took decisive actions to support the backbone of the real economy in Europe: small and medium sized enterprises.

AWARDED 'WORLD'S BEST BANK FOR SMES'

In October, UniCredit was awarded 'Best Bank for SMEs' by Global Finance magazine in its World's Best Global Banks Awards. This was based on our performance over the past year, based on criteria including reputation and management excellence.

UniCredit Bank S.A.

Management Board's report

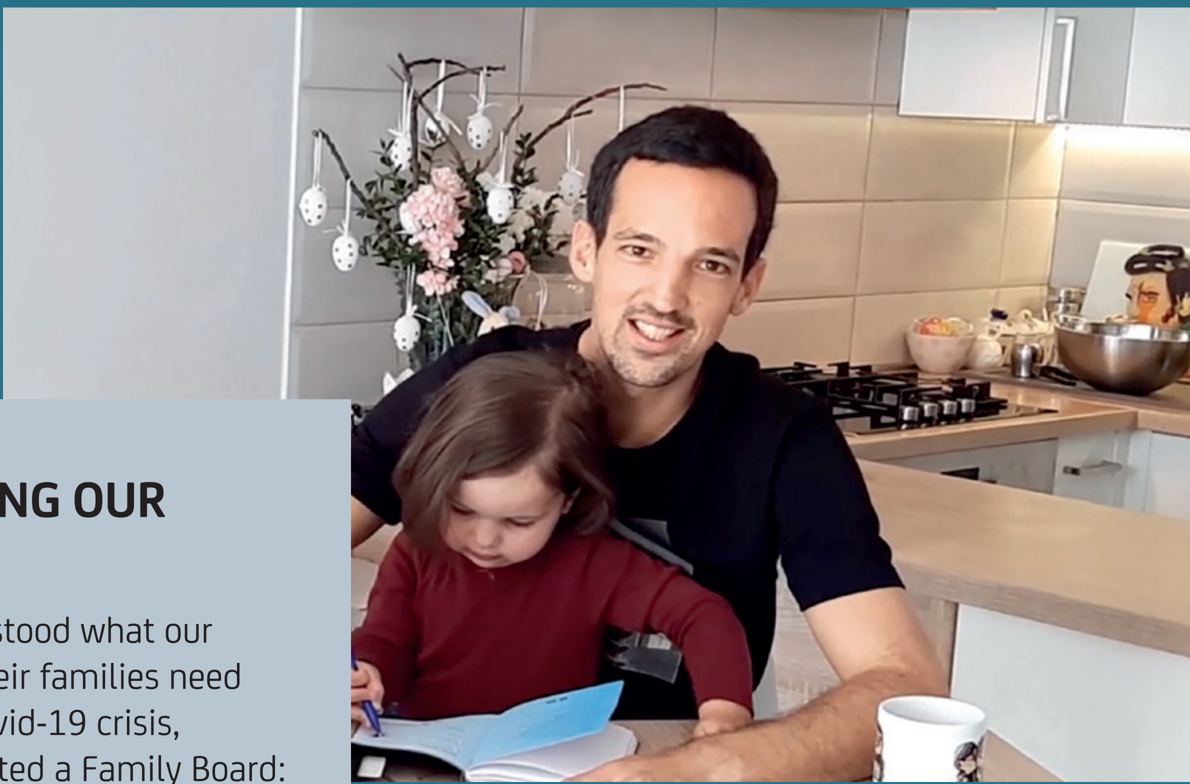
Consolidated and Separate

for the financial year ended 31 December 2020

Content

Do the right thing!
for our Colleagues

Throughout 2020, we focused on protecting our people: we provided them with millions of PPE items and fast IT upgrades, rolling out new laptops and remote access to around 82,000 UniCredit employees, to make sure they could work safely and effectively.



PROTECTING OUR PEOPLE

To best understood what our people and their families need to face the Covid-19 crisis, UniCredit created a Family Board: the 20-person team meets regularly to define solutions and recommendations in terms of flexibility, wellbeing and other support (i.e. homeschooling/ homework).

1. General presentation

The UniCredit Group presence in Romania (the "Group") consists of UniCredit Bank S.A. (the "Bank") as mother company and its subsidiaries, UniCredit Consumer Financing IFN S.A. ("UCFIN"), UniCredit Leasing Corporation IFN S.A ("UCLC"), Debo Leasing S.R.L. ("DEBO") and UniCredit Insurance Broker S.R.L ("UCIB"). These consolidated financial statements are for 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 after 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 perform banking activities in Romania

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

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

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

- UniCredit Consumer Financing IFN S.A.("UCFIN"), having its current registered office at 23-25 Ghetarilor Street, 1st and 3rd floor, District 1, Bucharest, Romania, provides consumer finance loans to individuals. The Bank has a shareholding of 50.1% in UCFIN since January 2013.
- UniCredit Leasing Corporation IFN ("UCLC"), having its headquarters in Ghetarilor Street no. 23-25, 1st, 2nd and 4th floors, Sector 1, Bucharest, Romania, provides financial leasing services to corporate clients and individuals. UCLC, the former associate, has become the Bank's subsidiary since April 2014 when the Bank obtained indirect control of 99.95% (direct control: 99.90%). The Bank's indirect controlling interest as of 31 December 2020 is 99.98% (direct control: 99.96%), as a result of the merger of UniCredit Leasing Romania SA ("UCLRO") with UCLC, finalized in June 2015, the date when UCLRO was absorbed by UCLC.
- Debo Leasing S.R.L. ("DEBO"), having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, is a real estate finance lease entity and became a subsidiary of the Bank beginning with April 2014. The Bank has an indirect controlling interest of 99.97% through UCLC. Debo Leasing S.R.L. is the new name of Debo Lesing IFN S.A. beginning with October 2018, when the company was erased from the General Register of Financial Non-Banking Institutions.
- UniCredit Insurance Broker S.R.L. ("UCIB"), having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, intermediates insurance policies related to leasing activities to legal entities and individuals, and became a subsidiary of the Bank beginning with 31 December 2020. The Bank has an indirect controlling interest of 99.98% through UCLC which owns 100% UCIB.

As of 31 December 2020 the Group carried out its activity in Romania through the Head Office located in Bucharest and its network of 148 branches (31 December 2019: 146) located in Bucharest and all over the country.

2. 2020 Activity Overview

2020 was marked by promoting digitalization of banking services for companies - segment in which UniCredit is market leader – as well as for individuals, for which the Bank continued to launch new products and services. In the same time, the new context generated by the Covid-19 pandemics required an adjustment of the activity, with a special focus on the actions meant to support employees, customers and communities, and in the same time focusing on the business continuity with positive results.

Related to its activity during 2020, UniCredit was awarded a series of international awards for the qualitative banking services offered. As such, Euromoney's Trade Finance Survey 2020 awarded the Bank for The Best Supplier for All Services in Romania (together with the EEC area, Western Europe, Austria, Bosnia and Herzegovina, Bulgaria, the Czech Republic, Hungary, Italy, Serbia, Slovakia, Croatia and Turkey). In the same time, UniCredit was nominated as Global Best Service Supplier for Services - related to trade and business financing („Trade Finance"). According also to Euromoney the Bank received other awards for Advisory, Financing, Overall Execution and Products areas, as well as for the services provided to clients in Central and Eastern Europe (CEE). In the same time, for the 11th consecutive year, Global Finance acknowledged UniCredit as the best Sub-Custodian Bank in Central and Eastern Europe in 2020 and, subsequently, it also awarded UniCredit as "Best Foreign Exchange Provider" in Romania and "Best Foreign Exchange Provider" for Central and Eastern Europe. Another distinction, which reconfirms the strong position on the Cash Management banking market, came from the Euromoney Cash Management Survey 2020, which acknowledged UniCredit Bank as the market leader in Romania (along with Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Italy, Serbia, Slovakia, Slovenia and Hungary).

Following its consistent strategy, the Bank also provided its corporate and SME customers special financing conditions within the frame of different conventions; thus, UniCredit's customers benefited of special costs and guarantees they needed to better respond to the challenges of the pandemic context.

The European Investment Fund (EIF) and UniCredit agreed to increase InnovFin funding for small and medium enterprises in order to improve financing access for small or medium innovative companies as well as for the medium capitalization companies in nine countries. Pursuant to the agreement, UniCredit was able to grant additional financing of EUR million 500, through the nine banks and six leasing entities in central and eastern Europe, to innovative companies.

Subsequently, in mid-June, UniCredit joined the financial support package for the Covid – 19 situation provided by the European Investment Fund (EIF), thus having the opportunity to grant working capital loans to small and medium size enterprises and mid – caps companies in central and eastern Europe, with EIF securities of 80% (as compared to the previous 50%) and simplified eligibility criteria. These new measures have extended the validity of the InnovFin guaranty scheme to large mid – caps companies, extending eligibility from the ones already taken into consideration for validation (small and medium enterprises of medium capitalization companies). Furthermore, in order to support digital technologies and companies' digital transformation, InnovFin guaranty scheme has been extended so that it also covers the digital transformation financing needs. This transaction benefited from the support of Horizon 2020, the framework program of the European Union for Research and Innovation and from the one of the European Fund for Strategic Investments (EFSI) – the core of Europe's Investments Plan. All these new measures enabled UniCredit to offer support to Romanian companies and also in eight other countries in central and eastern Europe: Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Serbia, Slovakia and Slovenia.

Starting from February, the Bank has offered access to 60% secured financing from the total loan for small and medium size enterprises through the Small and Medium Enterprises Initiative (SME Initiative), a security instrument accessed by UniCredit Bank from the European Union. These transactions benefited from the European Union support through the SME Initiative program, financed by the European Union via FEDR and Horizon 2020 and by the European Investment Fund and the European Investment Bank. The Bank provides to its eligible beneficiaries financing products which are secured by a guarantee financial instrument, easing their access to convenient financing in order to set up new businesses, to expand their current activity, to support the development of the companies' activity or to create new projects, including entering on new markets, through the Initiative for SME's. Last but not least, starting from August, the Bank offers to micro-enterprises a financing program in RON for current expenses with a maximum value of EUR 25,000 (RON equivalent), which benefits from 80% guarantee via EaSI (instrument accessed by UniCredit Bank from the EU through the European Investment Fund, part of the European Investment Bank Group).

An important focus of the Group in 2020 was to offer support to the companies affected by the pandemic, using the risk sharing schemes provided by the Romanian state. Thus, within the SME Invest program framework, credit facilities were granted using the bank's own funds and state guarantees (within a total ceiling of RON million 1,569) to companies active in various sectors, such as production, construction, agriculture, food industry, IT, transport and others. At the same time, following the agreement with the Ministry of Economy, Energy and Business Environment within the governmental program on granting non-reimbursable grants to SMEs, the companies affected by the Covid19 crisis had the option to access the necessary financing from UniCredit, also benefiting of free qualified signature certificates to be used for the electronically signage of the financing documentation and further on in their activity.

The first half of 2020 brought novelties in the retail area as well: UniCredit pursued to innovate and to develop its offer, proposing simpler products to its clients, modern digital platforms and simplified processes. Thus, for the companies with an annual turnover of maximum EUR 3 million, the Bank issued an offer which granted them lower fees for the same benefits if they would use digital channels attached to GeniusIMM current account package, wanting to be a real partner for SME clients, to support them with relevant products and services in their development efforts. For individual customers, the Bank initiated campaigns with special interest rates for certain types of deposits, advantageous financing offers for buying homes and numerous new or improved digital products (for example, new Mobile Banking, Google Pay, Mcash etc.) were added throughout the year. Furthermore, given that many individual customers were strongly impacted during this period, the Bank quickly implemented measures meant to support them through these difficult times.

The accomplishments in digitalization and the investments made during the past few years for digital channels were essential for the Bank's current activity and supported it in accelerating certain projects. Where possible, the Bank immediately adopted flexible policies, encouraging the employees, whose presence was not required at the office, to work from home. For branches, extended safety measures were enforced. Clients were encouraged to use the Bank's digital channels and the remote consultancy services, as often as possible. However, they were provided with on-site services as well, if needed. Thus, the Bank was able to offer during the whole crisis situation the same safety and quality level services to its clients as before the COVID 19 pandemic.

At the same time, **UniCredit Consumer Financing** IFN SA (UCFIN), part of UniCredit Group in Romania, concentrated its efforts on loyalty campaigns for the existing portfolio and continued its initiatives on processes digitalization (e.g. update of credit card benefits, recurrent communication campaigns, launch of electronic signature in Mobile Banking app, launch of Google Pay feature on credit cards). All the products have been included in the Black Friday campaign in order to boost the online acquisitions.

In the preparation for 2021, 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 of benefits on credit cards.

In 2020, **UniCredit Leasing** has maintained its top position on the financial leasing market, offering a large range of products and services, and continued to support both the companies with investment appetite and the clients facing difficult times within the context of the pandemic generated by COVID-19. The company has quickly adapted its processes and operational flows to the new context, the safety and health of its employees and its customers being a priority throughout the year.

In 2020, the main performance indicators of UniCredit Bank Group evolved as follows:

- Total assets increased by 0.9%, up to RON thousands 51,968,540;
- Net profit: decreased by 20.96% yoy, mainly due to the increase in credit risk provisions in the pandemic context;
- Customer loan portfolio (including also lease receivables) slightly decreased by 2.02% compared with 2019.

A special attention was granted to ensure 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 Bank Group had a strong and balanced financial position in 2020, despite the beginning of the macroeconomic slowdown:

Indicator (%)	Group		Bank	
	2020	2019	2020	2019
ROE	9.00	12.91	7.89	12.17
ROA	0.97	1.28	0.90	1.33
Solvency ratio[1]	22.16	16.27	26.44	19.49
Cost/Income ratio	43.53	45.05	47.42	49.47
Loans to deposits	86.27	92.03	65.81	68.70
Loan portfolio provision coverage	6.78	6.07	6.53	5.71

As of 31 December 2020, the total assets of the UniCredit Bank Group are RON 51,968,540 thousands (Bank: RON 45,445,758 thousands). The net profit for 2020 is RON 503,933 thousands (Bank: RON 403,662 thousands), out of which non-controlling interest amounts to RON 10,959 thousands.

During 2020, the members of the Management Board acted in accordance with statutory laws and regulations in force and ruling UniCredit Bank Group and Bank's regulations. The Supervisory Board and Management Board members also acted according to their responsibilities as defined in the Constitutive Act of the Bank and within the limits of their competences assigned by the General Shareholders Meeting. The Management Board has acted under the supervision and control of the Supervisory Board.

The activity of the Management Board as the main decision making corporate body in the Bank has been consistently and efficiently supported by staff of the Bank, in accordance with their responsibilities and competences operating in compliance with their authorities and set of responsibilities.

The Management Board has coordinated the Bank's activity and has taken all necessary measures for the proper management of it, in compliance with the Constitutive Act of UniCredit Bank.

The Bank's main subsidiaries are non-banking financial institutions which are governed in a two tiered system by Management Board and Supervisory Board. The members of the Management Board acted in accordance with statutory laws and regulations in force and ruling UniCredit Bank Group and Bank's regulations. The Supervisory Board and Management Board members also acted according to their responsibilities as defined in the Constitutive Act of the Bank and within the limits of their competences 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 2020

3.1. Legal framework

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

The duties stipulated by law, related to the organization and management of the accounting activity, including the accounting principles (prudence, permanence of methods, continuity, independence, intangibility, non-compensation, separate evaluation of assets and liabilities', materiality, substance over form) have been followed. The provisions of the Accounting Law no. 82/1991, with subsequent changes, the accounting regulations and the methods stipulated by regulations in force, were abided by the Bank.

The annual consolidated and separate financial statements provide a true and fair view on the assets and liabilities. The economic and financial position of UniCredit Bank Group is audited by the external auditor Deloitte Audit SRL.

Do the right thing!
for our Clients

With over 16 million clients in 13 countries, we worked harder than ever in 2020 to help all our clients face new challenges: from billion euro funding programmes for multinational companies to mentoring new start-up businesses, UniCredit is committed to being part of the solution.

€10 MILLION OF NEW FINANCING FOR A 100-YEAR OLD PASTA MAKER

This loan was set up to meet the working capital needs of Gragnano-based Pastificio Di Martino. It was also the first large loan issued in under Italy's guaranteed loans programme.

3.2. The Consolidated Statement of financial position

The IFRS Consolidated Statement of financial position of UniCredit Bank SA as of 31.12.2020 is presented below:

	Group			Bank		
In RON thousands	2020	2019	2020/ 2019 (%)	2020	2019	2020/ 2019 (%)
Assets:						
Cash and cash equivalents	12,236,808	11,693,894	4.6%	12,229,614	11,693,863	4.6%
Financial assets at fair value through profit or loss	555,337	267,990	>100.0%	555,337	267,990	>100.0%
Loans and advances to customers at amortized cost	25,229,315	26,013,805	(3.0%)	22,286,540	22,483,263	(0.9%)
Net lease receivables	3,515,814	3,323,516	5.8%	-	-	-
Loans and advances to banks at amortized cost	212,130	572,567	(63.0%)	212,130	572,567	(63.0%)
Other financial assets at amortized cost	143,440	142,810	0.4%	117,695	100,767	16.8%
Financial assets at fair value through other comprehensive income	3,020,373	8,614,640	(64.9%)	3,018,027	8,612,294	(65.0%)
Debt instruments at amortized cost	6,148,138	-	>100.0%	6,148,138	-	>100.0%
Investment in subsidiaries	-	-	-	143,116	143,116	0.0%
Property, plant and equipment	215,505	200,368	7.6%	205,101	188,613	8.7%
Right of use assets	198,789	174,235	14.1%	189,896	160,445	18.4%
Intangible assets	245,934	196,284	25.3%	231,976	186,516	24.4%
Current tax assets	858	2,848	(69.9%)	-	2,848	<(100.0%)
Deferred tax assets	119,797	132,466	(9.6%)	41,246	60,809	(32.2%)
Other assets	126,302	191,185	(33.9%)	66,942	68,066	(1.7%)
Total assets	**51,968,540**	**51,526,608**	**0.9%**	**45,445,758**	**44,541,157**	**2.0%**

	Group			Bank		
In RON thousands	2020	2019	2020/ 2019 (%)	2020	2019	2020/ 2019 (%)
Liabilities:						
Financial liabilities at fair value through profit or loss	73,017	73,969	(1.3%)	73,017	73,969	(1.3%)
Derivatives liabilities designated as hedging instruments	81,216	114,852	(29.3%)	81,216	114,852	(29.3%)
Deposits from banks	595,076	1,666,287	(64.3%)	595,076	1,666,287	(64.3%)
Loans from banks and other financial institutions at amortized cost	5,564,667	6,483,236	(14.2%)	778,203	795,267	(2.1%)
Deposits from customers	35,772,365	33,938,950	5.4%	36,259,081	34,706,764	4.5%
Debt securities issued	1,922,036	2,044,046	(6.0%)	470,747	621,823	(24.3%)
Other financial liabilities at amortized cost	518,044	391,071	32.5%	453,359	340,562	33.1%
Subordinated liabilities	929,593	912,449	1.9%	822,466	807,304	1.9%
Lease liabilities	196,836	163,898	20.1%	192,717	158,752	21.4%
Current tax liabilities	6,801	2,699	>100.0%	969	-	>100.0%
Provisions	223,576	240,959	(7.2%)	193,874	218,819	(11.4%)
Other non-financial liabilities	243,364	251,401	(3.2%)	164,315	167,708	(2.0%)
Total liabilities	**46,126,591**	**46,283,817**	**(0.3%)**	**40,085,040**	**39,672,107**	**1.0%**

In RON thousands	Group			Bank		
	2020	2019	2020/ 2019 (%)	2020	2019	2020/ 2019 (%)
Equity						
Share capital	1,177,748	1,177,748	0.0%	1,177,748	1,177,748	0.0%
Share premium account	621,680	621,680	0.0%	621,680	621,680	0.0%
Cash flow hedging reserve	(46,441)	(47,833)	(2.9%)	(46,441)	(47,833)	(2.9%)
Reserve on financial assets at fair value through other comprehensive income	107,908	20,330	>100.0%	107,908	20,330	>100.0%
Revaluation reserve on property, plant and equipment	12,722	12,682	0.3%	12,722	12,682	0.3%
Other reserves	325,516	298,289	9.1%	325,516	298,289	9.1%
Retained earnings	3,521,959	3,050,001	15.5%	3,161,585	2,786,154	13.5%
Total equity for parent company	**5,721,092**	**5,132,897**	**11.5%**	**5,360,718**	**4,869,050**	**10.1%**
Non-controlling interest	120,857	109,894	10.0%	-	-	-
Total equity	**5,841,949**	**5,242,791**	**11.4%**	**5,360,718**	**4,869,050**	**10.1%**
Total liabilities and equity	**51,968,540**	**51,526,608**	**0.9%**	**45,445,758**	**44,541,157**	**2.0%**

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 2020, the minimum reserve level was at the level of as 8% (31 December 2019: 8%) for liabilities to customers in RON and starting with 24 November 2020 the level was 5% instead of 8% (31 December 2019: 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 28,745,129 thousands for the Group (Bank: RON 22,286,540 thousands), corresponding to 55.31% of total assets (Bank: 49.04%). The outstanding loans balance as at 31.12.2020 is distributed by business segments, as follows:

	Group		Bank	
	2020	2019	2020	2019
Corporate	50.1%	49,6%	63.0%	63,7%
SME	21.1%	21,1%	9.2%	9,4%
Private Individual	28.5%	28,9%	27.6%	26,5%
Private Banking	0.2%	0,3%	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	2020	45.7%	30.2%	24.1%
	2019	40.5%	29.3%	30.2%
Bank	2020	45.9%	26.9%	27.2%
	2019	40.3%	24.8%	34.9%

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 2020 and 2019 is as follows:

	Group		Bank	
	2020	2019	2020	2019
Neither past due nor impaired	92.8%	92.7%	93.3%	93.0%
Past due but not impaired	4.5%	5.4%	4.2%	5.2%
Other impaired loans	1.2%	0.8%	1.0%	0.8%
Individually significant impaired loans	1.5%	1.0%	1.5%	1.0%

Starting 3 of April, 2020, the Bank updated its business model for **securities** including an additional business model, **"held to collect"** – "HTC", for fixed income portfolio**.** The addition of a new business model is sustained by the current profile of the holdings pertaining to the Replicating Portfolio, as the respective financial assets are associated to a particular product (Free funds and Non-maturing deposits) and the intention of the Bank is to hold those financial assets until maturity, designating them for the purpose of stabilizing the net interest income of the Bank in a multiyear horizon.

Other assets of RON 126,302 thousands (0.24% of total assets) decreased by 34% compared with December 2019 (Group level).

In RON thousands	Group		Bank	
	2020	2019	2020	2019
Sundry debtors	44,089	96,090	23,605	26,981
Prepaid Expenses	40,637	54,421	15,094	12,906
Inventories	15,003	16,116	1,498	3,261
Other	26,573	24,558	26,745	24,918
Total other non-financial assets	**126,302**	**191,185**	**66,942**	**68,066**

3.4. Liabilities

Deposits and loans from banks balance is RON 6,159,743 thousands (Bank RON 1,373,279 thousands), representing 11.9% of total liabilities and equity.

In RON thousands	Group		Bank	
	2020	2019	2020	2019
Deposits				
Term deposits	242,942	1,002,896	242,942	1,002,896
Sight deposits	352,134	663,391	352,134	663,391
Total deposits	**595,076**	**1,666,287**	**595,076**	**1,666,287**
Loans				
Commercial Banks	4,201,593	5,539,000	81,405	101,543
Multilateral development banks	727,557	777,950	696,798	666,141
International financial institutions	635,517	166,286	-	27,583
Total borrowings	**5,564,667**	**6,483,236**	**778,203**	**795,267**
Total	**6,159,743**	**8,149,523**	**1,373,279**	**2,461,554**

The balance of **deposits from customers** is totaling RON 35,772,365 thousands at Group level (Bank RON 36,259,081 thousands), representing 69% of total liabilities and equity. At the end of 2020 almost 75% of deposits are payable on demand.

In RON thousands	Group		Bank	
	2020	2019	2020	2019
Term deposits	8,215,363	8,871,596	8,215,363	8,913,628
Payable on demand	26,658,000	23,818,578	27,146,663	24,551,843
Collateral deposits	898,740	1,248,561	896,793	1,241,078
Certificates of deposits	262	215	262	215
Total	**35,772,365**	**33,938,950**	**36,259,081**	**34,706,764**

Other non-financial liabilities balance is RON 243,364 thousands representing 0.47% of total liabilities and equity, including:

In RON thousands	Group		Bank	
	2020	2019	2020	2019
Deferred income	118,958	117,309	81,735	76,960
Payable to state budget	46,655	51,408	23,495	26,239
Payable to employees	61,108	66,096	53,985	56,677
Other	16,643	16,588	5,100	7,832
Total other non-financial liabilities	**243,364**	**251,401**	**164,315**	**167,708**

Provisions of RON 223,576 thousands (0.43% of total liabilities and equity) are split by type as presented below:

In RON thousands	Group		Bank	
	2020	2019	2020	2019
Provision for financial guarantees	106,322	93,261	110,894	120,009
Provision for legal disputes	23,931	41,278	10,686	11,176
Provision for off-balance commitments	70,613	62,179	65,472	58,473
Other provisions	22,710	44,241	6,822	29,161
Total	**223,576**	**240,959**	**193,874**	**218,819**

Following the completion of the Competition Council investigation launched in 2017 (targeting the Association of Romanian Financial Companies - ALB and its 16 member companies), the Competition Council announced the sanction of UniCredit Leasing Corporation with the amount of RON 9,054,491.05. As a result of this decision, the additional provision established in previous years was reversed, generating a positive impact of approximatively RON 17 million.

In September 2020, the result of the tax audit for the period 2013 – 2017 was received by the Bank, consisting in additional tax expenses of RON 62,656 thousands. Following the payment of this amount to the authorities, the Bank released the existing Provision for Risk and Charges in amount of RON 26,660 thousands and booked additional Income Tax expense, representing the amount established by the tax authorities as being additionally due, in amount of RON 62,656 thousands. Additionally, the Bank booked the possible tax liabilities that could result from the transfer pricing adjustments for intra-group financing, for the period 2018 – 2020, in the amount of RON 14,411 thousands.

Subordinated loans of RON 929,593 thousands (1.79% 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	
	2020	2019	2020	2019
UniCredit SPA	822,466	807,304	822,466	807,304
UniCredit Bank Austria AG	107,127	105,145	-	-
Total	**929,593**	**912,449**	**822,466**	**807,304**

3.5. Off-balance-sheet exposures

The outstanding off-balance-sheet gross exposure at Group level at the end of 2020 totaling RON 17,203,210 thousands is presented below, 89% representing exposures to nonbanking customers and 51% revocable commitments (Bank: RON 16,541,064 thousands, of which 53% revocable commitments).

In RON thousands	Group		Bank	
	2020	2019	2020	2019
Off balance sheet exposures to nonbanking customers	15,365,080	14,125,814	14,702,934	13,403,230
Off balance sheet exposures to banks	1,838,130	1,819,995	1,838,130	1,819,995
Total	**17,203,210**	**15,945,809**	**16,541,064**	**15,223,225**
Uncommitted exposures	**51%**	**45%**	**53%**	**48%**

3.6. Consolidated Profit and loss account

2020 Consolidated and Separate IFRS Income Statement of UniCredit Bank is presented below:

In RON thousands	Group 2020	Group 2019	Group 2020/ 2019 (%)	Bank 2020	Bank 2019	Bank 2020/ 2019 (%)
Interest income	1,759,217	1,850,803	(4.9%)	1,291,400	1,339,265	(3.6%)
Interest expense	(450,551)	(526,573)	(14.4%)	(302,569)	(378,152)	(20.0%)
Net interest income	**1,308,666**	**1,324,230**	**(1.2%)**	**988,831**	**961,113**	**2.9%**
Fee and commission income	452,808	454,938	(0.5%)	410,571	424,480	(3.3%)
Fee and commission expense	(146,202)	(138,481)	5.6%	(137,976)	(127,476)	8.2%
Net fee and commission income	**306,606**	**316,457**	**(3.1%)**	**272,595**	**297,004**	**(8.2%)**
Net income from instruments at fair value through profit and loss	305,186	360,345	(15.3%)	305,188	360,345	(15.3%)
Net gain/(loss) from foreign exchange	81,240	96,215	(15.6%)	68,079	83,747	(18.7%)
Fair value adjustments in hedge accounting	(2,504)	1,831	>(100.0%)	(2,504)	1,831	>(100.0%)
Net gain/(loss) from derecognition of financial assets measured at amortised cost*	11,606	40,054	(71.0%)	4,999	22,709	(78.0%)
Net gain/(loss) from derecognition of financial assets measured at FVTOCI*	47,322	11,841	>100%	47,322	11,841	>100%
Dividend income	1,972	1,971	0.1%	1,972	1,971	0.1%
Other operating income	18,719	9,961	87.9%	11,252	6,810	65.2%
Operating income	**2,078,813**	**2,162,905**	**(3.89%)**	**1,697,734**	**1,747,371**	**(2.8%)**
Personnel expenses	(428,668)	(421,876)	1.6%	(376,092)	(367,480)	2.3%
Depreciation and impairment of tangible assets	(98,735)	(95,246)	3.7%	(90,868)	(89,633)	1.4%
Amortisation and impairment of intangible assets	(51,970)	(57,049)	(8.9%)	(47,482)	(50,484)	(5.9%)
Other administrative costs	(303,855)	(377,120)	(19.4%)	(279,729)	(344,931)	(18.9%)
Other operating costs	(21,709)	(23,002)	(5.6%)	(10,973)	(11,810)	(7.1%)
Operating expenses	**(904,937)**	**(974,293)**	**(7.12%)**	**(805,144)**	**(864,338)**	**(6.8%)**

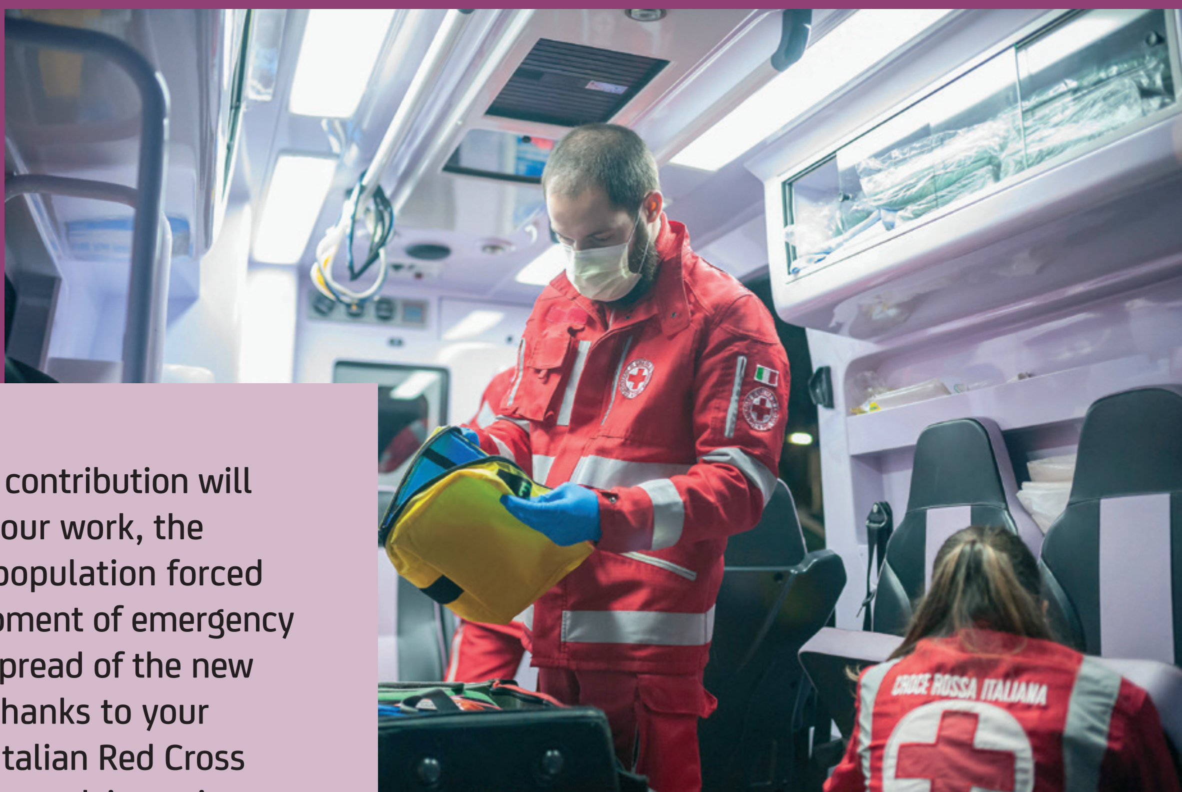
In RON thousands	Group			Bank		
	2020	2019	2020/ 2019 (%)	2020	2019	2020/ 2019 (%)
Net operating income	**1,173,876**	**1,188,612**	**(1.2%)**	**892,590**	**883,033**	**1.1%**
Net impairment losses on financial assets*	(510,918)	(387,019)	32.0%	(366,461)	(190,853)	92.0%
Losses on modification of financial assets*	(2,673)	(304)	>100%	(2,673)	(304)	>100%
Net impairment losses on non-financial assets	(5,527)	(396)	>100%	(5,527)	(396)	>100.0%
Net provision gains/ (losses)	19,910	(33,209)	>(100.0%)	27,343	(14,165)	>(100.0%)
Net gains/(loss) from other investment activities	-	1,249	<(100.0%)	-	-	-
Profit before tax	**674,668**	**768,933**	**(12.3%)**	**545,272**	**677,315**	**(19%)**
Income tax expense	(170,735)	(131,358)	30.0%	(141,610)	(104,395)	35.6%
Net profit for the year	**503,933**	**637,575**	**(21.0%)**	**403,662**	**572,920**	**(29.5%)**
Attributable to:						
Equity holders of the parent company	492,974	643,482	(23.4%)	403,662	572,920	(29.5%)
Non-controlling interests	10,959	(5,907)	>(100.0%)	-	-	-
Net profit for the year	**503,933**	**637,575**	**(20.96%)**	**403,662**	**572,920**	**(29.5%)**

**"Net income on disposal of financial assets and liabilities which are not at fair value through profit or loss" caption in amount of RON 51,895 thousands for the Group/ RON 34,550 thousands for the Bank, was split between: "Net gain/(loss) from derecognition of financial assets measured at amortised cost" caption in amount of RON 40,054 thousands for the Group/ RON 22,709 thousands for the Bank and "Net gain/(loss) from derecognition of financial assets measured at FVTOCI" caption in amount of RON 11,841 thousands for the Group/Bank;*

**"Net impairment losses on financial assets" caption in amount of RON thousands -387,323 thousands for the Group/ RON thousands -191,157 thousands for the Bank, was split between: "Net impairment losses on financial assets" caption in amount of RON thousands -387,019 thousands for the Group/ - RON thousands 190,853 thousands for the Bank and "Losses on modification of financial assets" caption in amount of RON 304 thousands for the Group/Bank;*

Do the right thing!
for our Communities

UniCredit is proud to support communities in all of our countries: we launched formal and informal initiatives, with a wide range of volunteering activities and donations, employees and customers raising and donating millions of euros.



"Your generous contribution will help, through our work, the entire Italian population forced to face this moment of emergency linked to the spread of the new Coronavirus. Thanks to your donation, the Italian Red Cross continues to expand, investing in services, resources and training for volunteers and operators to be alongside those who need it most."

Francesco Rocca
President of the Italian Red Cross

4. Equity accounts and profit distribution

4.1. Equity accounts of the Bank as of 31 December 2020

As of 31 December 2020, the Bank's equity is in amount of RON 5,360,718 thousands and the composition is presented below:

In RON thousands	Bank
Paid-in capital	455,219
Hyperinflation effect – IAS 29	722,529
Subscribed Share capital	**1,177,748**
Share premium	**621,680**
Cash flow hedge reserve	**(46,441)**
Reserve on financial assets at fair value through other comprehensive income	**107,908**
Revaluation reserve on property and equipment	**12,722**
Other reserves	**325,516**
- Statutory general banking risks	115,785
- Statutory legal reserve	91,044
- Effect of hyperinflation – IAS 29	19,064
- Actuary profit/loss	(953)
- Other reserves	100,576
Retained earnings	**2,757,923**
Net profit for the period	**403,662**
Total equity of the Bank	**5,360,718**

At 31 December 2020 the paid-in capital of the Bank was RON 455,219,478.30, split into 48,948,331 shares at RON 9.3 per value each.

The structure of the Bank's shareholders as at 31 December 2020 is the following:

Shareholder	Shares' number	Value (RON)	%
UniCredit S,p,A,	48,277,621	448,981,875.30	98.6298
Romanian Individuals	626,204	5,823,697.20	1.2793
Romanian Legal Entities	21,606	200,935.80	0.0441
Foreign Individuals	15,560	144,708.00	0.0318
Foreign Legal Entities	7,340	68,262.00	0.0150
TOTAL	**48,948,331**	**455,219,478.30**	**100.0000**

4.2. Profit distribution

The net profit of the Bank for the financial year ended at 31 December 2020, in amount of RON 403,662,203 will be distributed according to the law. The Supervisory Board proposes to the General Meeting of Shareholders the distribution of 2020 net profit as follows:

Bank	2020
Reserve related to the reinvested profit of the year 2020*	39,980,000
Reinvestment of the remaining net profit	363,682,203
Total	**403,662,203**

** According to article 22 of Law 227/2015, the amounts are exempt from the payment of corporate income tax.*

Do the right thing!
for Diversity&Inclusion

UniCredit is committed to promoting a positive working environment that embraces our core values: Ethics & Respect.

TAKING ACTION AT THE 2020 D&I WEEK

More than 21,000 colleagues joined our 120 events in 15 countries. With 270 external speakers and 145 hours of workshops, coaching sessions and online discussions, we made sure everyone could join UniCredit's second annual Diversity & Inclusion Week.

5. Forecast related to the future macroeconomic environment

The Romanian economy was affected by the COVID 19 pandemic in 2020, leading to an economic drop of 3.9% compared to the previous year, the first economic contraction after the recovery from the global financial crisis. Among the GDP components that still had a positive dynamic in 2020, the Group mentions the public consumption whose increase is mainly due to expenditure on medical supplies and equipment for containing the pandemic effects and the gross fixed capital formation, as investments were higher in 2020 compared to 2019 mainly due to a significant allocation of funds to large infrastructure projects. Among the industries that performed well in 2020, the Group can mention the construction sector, a part of the economy which was not subject to lockdown restrictions and the IT sector which had a positive contribution to GDP growth. Agriculture had a negative evolution in 2020 mainly due to the drought which affected especially the southern part of the country.

In 2021 the Group expects the economy to advance by 4% supported by a recovery of private consumption and of external trade. EU transfers from the National Plan for Recovery and Resilience (RO: Planul National de Redresare si Rezilienta, PNRR) will finance projects which will help the country's development and will temper the current account deficit. The Group expects the economy to return to its pre-pandemic level by the end of first half of 2022.

The budget deficit doubled in 2020 on the back of expenditure to contain the spread of the COVID-19 pandemic and also due to the fiscal stimulus package to support the economy worth around 5.7% of GDP, one of the smallest in the region but well diversified. The budget deficit reached 9.79% at the end of 2020, and a slight decrease to 7.2% of GDP is projected for 2021. The Group anticipates that the fiscal stimulus package will decrease in 2021 to around 3% of GDP, but a better absorption of the European funds from the 2014-2020 budget and the National Plan for Recovery and Resilience could compensate. In 2021 fiscal policy is likely to be predictable and, thus, not lead to additional pressures on the budget deficit.

The monetary policy rate was reduced by one percentage point in 2020 amid the crisis generated by the COVID-19 pandemic. The NBR operated the first cut on March 23rd, 2020 (0.5 percentage points) at the beginning of the pandemic and state of emergency, followed by other two cuts of 0.25 percentage points at the beginning of June and August. Furthermore, the minimum reserve rate requirement was maintained at 8% for RON liabilities, while the requirement for foreign exchange liabilities was subject to two cuts of 2 percentage points in February and 1 percentage point in November, down to 5%. The Group expects monetary policy to remain accommodative in 2021, accompanied by additional cuts to the monetary policy rate, given the low inflationary pressures which allow for additional easing of the monetary conditions. Furthermore, in order to contain the effects of the crisis generate by the pandemic, NBR purchased government bonds on the secondary market in 2020 and supported commercial banks' liquidity through bi-lateral operations. The Group expects a downward trajectory of the interbank interest rates (ROBOR), with a decrease of the rate for the 3 months' maturity below 1.5% during 2021.

The EUR-RON exchange fluctuated inside the 4.8-4.9 interval in 2020 with constant RON depreciation pressures due to unfavourable capital flows and reduced economic activity. The Group expects the EUR-RON to move in the 4.9-5.0 interval in 2021 due to moderate depreciation pressures. This gradual depreciation of the national currency will reduce some of RON's overvaluation.

The inflation rate had a descending path in 2020 on the back of the reduced economic activity, mainly due to the decrease of private consumption amid the social distancing measures implemented to contain the pandemic. Although at the end of 2019 the annual inflation rate was 4%, consumer prices had a constantly decreasing trend to 2.1% at the end of 2020. For 2021 The Group expects a gradual return of inflation to 3.1% at the end of the year. The most important inflationary pressures will come from the liberalization of the electricity market, if a significant proportion of customers will not switch to the new types of contracts in the competitive market.

The trade balance deficit persisted at high levels in 2020. Due to the reduced economic activity, both imports and exports decreased but the gap between the two remained high. Exports were affected by the lack of external demand caused by the lockdown periods imposed by the Western European economies. The current account deficit reached EUR 10.98 billion in 2020, the equivalent of around 5% of GDP. For 2021, the Group estimates a current account deficit of at least EUR 9.6 billion.

The volume of loans granted increased in 2020 as well due to support programs from the government, namely the SME Invest program for SMEs and the moratorium on the repayment of loans that benefited both individuals and companies, which maintained a high level of outstanding loans. Year-end data show that the preference for RON-denominated loans continued, with a share of 69.5% compared to 67.6% in December 2019. In total, non-government credit registered at the end of 2020 an increase of 6% compared to the end of 2019. Loans granted to private individuals continued to advance, the local currency being preferred instead of foreign currency. Deposits continued to grow at a faster pace than loans, reflecting the fact that there is still enough room for lending, but the current economic conditions are marked by uncertainty, leading to reluctance on the debtor's side.

The ratio of non-performing loans decreased at the beginning of 2020, reaching 3.94% in March, but the economic effects of the SARS-CoV-2 pandemic also had an impact on loan performance, so that in June 2020 the indicator reached a value of 4.38%, with a subsequent decrease to 3.89% in November 2020. The dynamics of this indicator would have been much pronounced had the government not implemented the moratorium on loans.

6. Research and development activity

The research and development activity of UniCredit Bank 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;
- Financial accounting systems;
- Management information system;
- IT systems;
- Human resources management programs;
- Decision making systems.

7. Risk Management

The UniCredit Bank Group developed a solid risk culture at all Bank's levels, business lines and subsidiaries. UniCredit Bank established a comprehensive and independent risk management function under direct supervision of the management body, having personnel with relevant experience, adequate to the Bank's risk appetite, and able to play a significant role in the processes of identification, measurement and assessment of risks.

Within the risk management processes, the Internal Capital Adequacy Assessment Process **("ICAAP")** has an important role being focused on the development and maintenance of sound internal procedures and systems which allow the evaluation of the bank capital adequacy, respectively, ensuring the balance between the assumed risks and the available capital. ICAAP is an integral part of management and decision-making processes.

The risk management framework is clearly and transparently transposed in internal norms, procedures, manuals and codes of conduct, distinctively mentioning the standards applicable for all employees and those applicable only to specific categories of employees.

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

- Definition and setting of basic principles and respective limits regarding risk management;
- An organizational structure specialized and with focus on risk management;
- Specific strategies and techniques for risk measuring and monitoring.

Based on the internal analysis performed with the Holding guidance, UniCredit Bank S.A. identified the following significant risks:

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

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

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

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

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 UniCredit 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

UniCredit Bank Group is exposed to credit risk representing the risk of negative impact on revenues generated by debtors not fulfilling the contractual obligations of loans granted on short, medium or long run.

UniCredit Bank Group manages this risk through a set of comprehensive measures, both at transaction and debtor, and at global level, related to:

- 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 Bank Group;
- Capital allocation for credit risk unexpected losses in accordance with the regulatory and UniCredit Bank Group regulations;
- Regular monitoring of the credit risk profile of the Bank in order to ensure 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

UniCredit Bank 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, UniCredit Bank 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 UniCredit Bank Group's liquidity framework, the main goal of the overall liquidity management is to keep the liquidity exposure at such a level that 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 – Treasury.

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 on medium and long term 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 (EU) 575/2013, as amended by Regulation (EU) no. 61/2015.
- other key indicators for the management of liquidity and funding needs used to assess the concentration of funding and the way in which loans to customers are sustained by commercial funds

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

Operational risk means the risk of loss resulting either from the use pf inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, but excludes strategic and reputational risk.

Legal risk is the risk of losses as a result of fines, penalties and sanctions for which the credit institution is liable due to failure to apply or deficiently applying legal or contractual provisions, as well as due to the fact that contractual rights and obligations of the bank and / or counterparty are not appropriately provided.

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

The operational risk management system is integrated into the internal processes defined for the management of significant risks. The main tools used for identification, assessment, monitoring, mitigation, reporting of operational risk, are: loss data collection, risk indicators monitoring, scenario analysis, Permanent Workgroup analyses, mitigation actions definition (independently or as part of the previously mentioned tools), management and Group reporting. Moreover, products, projects and internal regulations are analyzed before approval and feedback is provided by all relevant areas including Legal, Compliance, Operational and Reputational Risk.

7.5. Compliance risk

Within a complex legal framework, UniCredit Bank Group is subject also to compliance risk, defined as the actual or future risk to impact the profits and capital, which may lead to fines, claims and/or cancellation of contracts or which may affect the reputation of a credit institution, as a result of breaching or non-compliance with its own rules and standards, agreements, recommended practices or ethical standards.

In order to meet the legal requirements compliance function, supported Management Board to manage the conformity risk. It also gives support to identify, evaluate, monitor and report the compliance risk associated to different activities, including consultancy regarding compliance with legal internal and UniCredit SPA requirements.

7.6. Reputational Risk

Reputational risk is the current or prospective risk to earnings and capital arising from adverse perception of the image of the Bank on the part of customers, counterparties, shareholders/investors, regulators or employees (stakeholders). In particular, it is the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties (such as civil society - NGOs, media, etc) or regulators that can adversely affect the ability to maintain existing, or establish new, business relationships and continued access to sources of funding. Reputational risk triggered by business relationships with clients / partners or transactions connected with reputational risk sensitive sectors.

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.

For reputational risk transactions in the lending activity identified under the scope of specific reputational risk policies or which by their nature involves reputational risk (weapons/defense industry, nuclear energy, water infrastructure (dam), mining, coal fired power, etc.), the working flow established in specific procedure is followed, also including reputational risk opinion issued by Operational & Reputational Risk Dept., local approval by the competent approval level for reputational risk according to regulations in force, obtaining non-binding opinion (NBO) from Group (if the case).

Do the right thing!
for our Environment

Our new sustainability targets, shared at the end of 2019, encouraged several sustainability-focused initiatives in 2020 focusing on protecting our environment.

CAUSING A BUZZ AT OUR NEW AUSTRIAN HQ

Not only employees moved into UniCredit new Austrian headquarters. They were joined by over one million honeybees, working hard to pollinate the nearby surroundings and make honey which will be harvested by UniCredit employees. What a sweet result!

7.7. Business Risk

Business risk is defined as adverse, unexpected changes in business volume and/or margins that are not due to credit, market and operational risks. It can lead to serious losses in earnings, thereby diminishing the market value of a company.

Business risk can result above all from a serious deterioration in the market environment, changes in the competitive situation or customer behavior, but may also result from changes in the legal framework.

7.8. Real Estate Risk

Real Estate Risk is defined as potential losses due to fluctuations in the market value of the real estate investment portfolio held by the Group's/ UniCredit Bank's.

7.9 Strategic Risk

The strategic risk is the risk of suffering potential losses due to decisions or radical changes in the business environment, improper implementation of decisions, lack of responsiveness to changes in the business environment, with negative impact on the risk profile and consequently on capital, earnings as well as the overall direction and scope of a bank on the long run.

7.10 Risk of Excessive Leverage

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

7.11 Inter-concentration Risk

Within the Bank, the following approaches relating to concentration risk are applicable

- *Intra-concentration risk* is considered in the risk management processes for each significant risk
- *The risk of inter-concentration* is considered both in the risk management processes for individual risks and integrated when performing stress testing and evaluation of capital adequacy

8. Corporate Governance

UniCredit Bank Group is responsible for the existence of a rigorous management framework designed to include at least the following aspects:

- organizational structure and organization;
- 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. UniCredit Bank'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 Bank Group rules, and the best international practices in the field.

Corporate governance of the bank is the set of rules and processes that establish the relationship between shareholders, management, clients, employees, suppliers and other parties involved in defining the bank's objectives, how they are met, and monitoring the performance of the bank. This highlights the efficiency of management systems, namely the role of the Supervisory Board and the Management Board, the responsibilities and remuneration of the members of these structures, the credibility of the financial statements and the efficiency of the control functions.

The governance principles are defined in the:

- Constitutive Act;
- Internal functioning and organization regulation of the bank;
- The Bank's management framework;
- 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 2020 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 3 (three) members selected from the Supervisory Board members. The Chairman of the Remuneration Committee is appointed by the Supervisory Board. The Remuneration Committee members shall be appointed for the period of three years, reappointments being allowed.

The roles and responsibilities and functioning mechanisms of the Remuneration Committee are detailed in the Remuneration Committee Rules of Procedure.

8.1.4.3. Nomination Committee

The Nomination Committee is a permanent committee established by the Supervisory Board having as main duties:

- to identify and recommend to the Supervisory/Management Board, for approval, candidates to occupy the vacant seats within the management body;
- to assess the balance of knowledge, skills, diversity and experience within the management body;
- to assess on a regular basis, but at least once a year, the structure, size, composition and performance of the management body and to make recommendations to the management body with respect to any changes;
- to assess on a regular basis, but at least once a year, the knowledge, skills and experience of each member of the management body and of the management body as a whole and report to the management body accordingly;
- to decide with respect to a target concerning the representation of the male or female gender, poorly represented in the structure of the management body and draw up a policy concerning the means for increasing the number of these individuals in the structure of the management body in order to achieve the target concerned.

The nomination committee consists of minimum 3 (three) and maximum 5 (five) members selected from amongst the Supervisory Board members. The roles and responsibilities and functioning mechanisms of the Committee are detailed in the specific regulation.

8.1.4.4. Risk Management Committee

Risk Management Committee is directly subordinated to the Supervisory Board. Risk Management Committee is a permanent committee of UniCredit Bank having a consultative and support function to the Management Body.

The RMC shall be composed of minimum 3 (three) and maximum 5 (five) members among of the SB's members.

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

8.1.5. Committees subordinated to Management Board

Committees subordinated to Management Board are:

- Risk Management Operative Committee;
- 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;
- 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;
- Conflict of Interest 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 (ten). 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 5 (five).

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 (ten).

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 (seven).

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 (nine)

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 (six) 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 Labor 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 (eight).

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 (seven).

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 20 (twenty).

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 (three)

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 9 (nine).

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 (ten) 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 (six) 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 (nine) permanent members and 4 (four) 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 Management Board. 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 Management Board 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 UniCredit Bank's internal control is based on:

- the existence of the Internal Control framework
- the existence of the independent internal control function.

In the internal control functions, which must be independent, are included:

- risk management function, being composed by risk control function on each business line;
- compliance function and
- internal audit function.

The Internal Control framework 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 UniCredit Bank'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 UniCredit Bank Group, on long term.

8.2.1. UniCredit Consumer Financing IFN SA

Committees subordinated to Supervisory Board are:

- Audit Committee;
- Risk Management Committee.

Committees subordinated to Management Board are:

- Permanent Working Group for Operational Risk Management;
- Inventory Committee;
- Credit Committee;
- Disciplinary Committee;
- Prioritization (Project) Committee;
- Labor Security and Health Committee;
- Business Continuity & Crisis Management Crisis Committee;
- Price and Product Committee;
- Managerial Committee for Unacceptable Behavior Reporting;
- Professional Evaluation Committee.

8.2.2. UniCredit Leasing Corporation

Committees subordinated to Supervisory Board are:

- Audit Committee;
- Risk Management Committee.

Committees subordinated to Management Board are:

- Credit Committee;
- Special Credit Committee;
- Security and Health Committee;
- Business Continuity & Crisis Management Crisis Committee;
- Disciplinary Committee;
- Anti-Fraud Committee;
- Permanent Working Group for Operational Risk Management;

- Reputational Risk Committee;
- Remarketing and Asset Management Committee;
- Unacceptable Conduct Reporting Management Committee.

9. Non-financial declaration

In this chapter the Group presents information on the development, performance and position of the UniCredit Bank Group and its impact on aspects related to environment protection, social and personnel, human rights, the fight against corruption and bribery.

9.1. Short description of business strategy

In its activity, the Bank continues to actively target the following areas:

- Profitability: revenues, net profit and ROAC (Return on Allocated Capital), through an adequate mix of business actions;
- Customers: net active customer growth and customer experience;
- Cost discipline: continuous attention to efficiency, simplification and digitization; being even more disciplined with respect to cost management is crucial for the sustainability of our current business model;
- Risk discipline: constant focus on risk management and mitigation of high risk exposures;
- Maintain strong capital position and improve funding self-sufficiency, by achievement of a well-diversified commercial base;
- Compliance and compliance culture, as a prerequisite to maintain high reputation;
- Our People, on which the Bank keeps investing, also by ensuring continuous trainings and career growth opportunities.

9.2. Protection of the environment

The UniCredit Bank Group is compliant with the applicable legal framework regarding the environmental protection and is concerned to decrease the impact of its operational activities on environment.

9.3. Social and HR activity

Learning & Development

The UniCredit Bank 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 a 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 2020, various actions were implemented in line with the above HR strategy:

- Off-site Management Boards: performed online
- Seniority Gifts: We gladly celebrated loyalty of 386 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 and special bonuses for our children- over 30 new partners have been added to the list of existing ones.

- In 2020 we continued with our Back to School initiative "Back2School" - we offered a special Elkette package full of school objects dedicated to our school children, for the children of our colleagues aged 6-14;

- Boost Your Future: In 2020 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: We closed the program started in 2019 for 160 colleagues from management positions which 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 2020, the colleagues from the branches benefited from dedicated sessions for developing technical and software skills, by position, called Learning Hubs.
- In 2020, we completed the training curriculum with soft skills courses delivered by our community of Internal Trainers. The 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 32% of population got a salary increase;
- Closer to the academic environment. In 2020, we continued to develop new partnerships, reaching a network of 18 partners, universities and students associations across the country. Thanks to these collaboration protocols, we have extended our Internship programs national-wide, both on Retail and Corporate areas.

Integrity/Corporate Social Responsibility

For over 14 years, UniCredit Bank has supported some of the most important financial and entrepreneurship education projects, community and social initiatives, as well as cultural events in Romania. Over the time, the Bank has been part in and supported a number of important educational, entrepreneurial, social and cultural projects, in cooperation with various non-governmental organizations and other partners.

2020 also involved, in the social responsibility activity, specific actions to address the challenges of the pandemic context: on the one hand, through campaigns to support the health system, and on the other hand through the digitization of programs carried out in the past in the offline environment, such as the educational program Social Impact Banking Start Major, Academy of Creative Minds, Grants of the Academy of Creative Minds for business digitalization, Sibiu International Theater Festival, Pe Bune Podcast series, Future Talks webinars, Romanian Design Week, Diploma, Plai Festival, Amural Festival.

Charitable initiatives in response to COVID-19

UniCredit Bank and its employees have supported communities in the fight against coronavirus, through various initiatives:

- UniCredit Bank donated 120,000 euros to Zi de Bine Association to support the purchase of two high-performance mechanical ventilation devices and to provide the necessary medical support in response to emergencies.
- The employees of UniCredit Bank, UniCredit Leasing, UniCredit Consumer Financing and UniCredit Services Romania carried out in April an internal fundraising campaign, completed by a contribution of the UniCredit Foundation. The initiative raised a total of 61,000 euros, which were directed to the purchase of medical equipment and consumables for hospitals.
- UniCredit Bank joined the #together campaign, initiated by Altex Romania and the Altex Foundation, donating 130,000 euros to support hospitals.
- UniCredit Bank also supported the project Oameni in Alb, which provides free psychological and emotional support to physicians.

Social Impact projects

The Social Impact Banking (SIB) program, which represents UniCredit's commitment to building a fairer and more inclusive society, continued in 2020, with the aim of identifying, financing and promoting people and businesses that have a positive social impact. This approach aims to generate both economic benefits and wider benefits at the societal level. Through SIB, projects and organizations generally excluded from accessing banking products and services, can benefit from both financing and business expertise provided by UniCredit through educational programs dedicated to micro-entrepreneurs, social companies, vulnerable or disadvantaged groups, including young people, the elderly and other categories at risk of social exclusion. The involvement of UniCredit employees is an important component in implementing the actions within SIB, and supports the construction of valuable networks within communities, bringing people together to share positive experiences and to increase the notoriety of projects.

Educational projects

UniCredit is one of the financial institutions that has traditionally supported art and culture, with a special affinity in the area of contemporary art and young artists. In addition, in the last 4 years, the Bank has developed and offered entrepreneurs in the creative industries (such as theater, film, architecture and design, cafes and restaurants, bakeries and pastry, jewelry manufacturers, etc.) a comprehensive program of financial education and entrepreneurship, Academy of Creative Minds. Initiated and developed first in the offline environment, the program reached its 11th edition in 2020 and was completely digitized, offering webinars to 800 entrepreneurs simultaneously. The participants in the program can access varied educational modules, but they also enjoy belonging to an increasingly solid community. Moreover, in 2020, through the Grants of the Academy of Creative Minds for Business Digitization program, supported by UniCredit, seven entrepreneurs benefited from non-reimbursable financing in the total value of 30,000 euros.

Also, UniCredit Bank supported the The Institute Foundation in organizing and conducting the two Romanian Design Week and Diploma festivals. The support of the Plai Festival from Timisoara and the Amural Festival from Brasov continued, all these events being so beneficial for the local communities, taking place outdoors and respecting all safety measures but also the partnership with Teach for Romania, materialized in the form of an Academy of Online leadership for teachers (in August).

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.

9.5. Diversity on company boards

Size: the number of members of the Management body must be adequate to the Bank's/its subsidiaries' size and organizational complexity in order to ensure effective oversight of all their operations as concerns management and control.

Educational and professional background: the competent bodies within the Bank and its subsidiaries assess the adequacy and suitability of their Management body members based on criteria provided by local applicable legislation and also based on internal/group rules of procedure, where applicable.

In terms of professional qualifications, the members of the governing bodies must have a good reputation and knowledge, abilities and experience adequate to the operational complexity and size of the Bank/its subsidiary and they must devote sufficient time and resources to discharging their duties and must act the company's interest and consistently with the objectives of sound and prudent management.

The Management body's members are selected according to technical competence, adequate seniority, with the observance of the representativeness and independence requirements, to be able to ensure a constructive dialog within the body of the management body to which they belong; the composition of the Management body reflects in its entirety a wide range of professional experience.

Age: the Management body of the Bank and of its subsidiaries contains a balanced gender mix of people with various ages, from people in their 40s to people in their 60s.

Code of conduct: the Management body of the Bank/its subsidiaries promotes high professional and ethical standard. The Management body's members are required by internal relevant policies to avoid conflicts of interests and to abstain from participating in the taking of a decision related to which they are in a situation of conflict of interests.

Gender balance: for the purpose of increasing the number of women on the management body and with the aim of reaching at least one third of the members of the boards, the Bank and its subsidiaries adopted the promotion of women in the management body as best practice within their companies, in line with the best practice within the Group.

10. Communication calendar for 2021

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 2021 is the following:

Annual General Shareholders' Meeting (GSM) for 2020 local financial results approval	14.04.2021
Presentation of the separate and consolidated financial results for the 2020 year, on the official website of the Bank	14.04.2021
Presentation of the half-yearly report and the consolidated financial results for the first half of 2021, on the official website of the Bank	13.08.2021

11. Members of the Management Board of the Bank, UCFIN and UCLC during 2020

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

1. **Catalin Rasvan Radu**, Romanian citizen, born 12.02.1966, Executive President (CEO), Chairman of the Management Board, starting 17.04.2008;
2. **Tzvetanka Gueorguieva Mintcheva,** Bulgarian citizen, born 02.04.1977, Executive First Vice-President (Deputy CEO), member of the Management Board, staring 19.06.2020;
3. **Philipp Gamauf**, Austrian citizen, born 23.06.1982, Executive Vice-President, member of the Management Board, starting 03.01.2018;
4. **Nicola Longo Dente**, Italian citizen, born 21.06.1959, Executive Vice-President, member of the Management Board starting 27.11.2018;
5. **Andrei Bratu**, Romanian citizen, born 16.04.1978, Executive Vice-President, member of the Management Board, starting with 01.01.2019;
6. **Carlo Driussi**, Italian citizen, born 01.01.1978, Executive Vice-President, member of the Management Board starting 24.05.2019;
7. **Antoaneta Curteanu**, Romanian citizen, born 01.05.1968, 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. **Ani Cirstea**, Romanian citizen, member of the Management Board, starting 15.03.2020;
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. **Claudia Mocanu**, Romanian citizen, Vice-President of the Management Board, starting 01.03.2020;
3. **Serban-Mihai Tanasescu-Ienciu**, Romanian citizen, Vice-President of the Management Board, starting 01.11.2016;
4. **Loredana-Elena Nedelcu-Popescu**, Romanian citizen, Vice-President of the Management Board, starting 16.03.2020;

5. **Daniela Panaitescu**, Romanian citizen, Vice-President of the Management Board, starting 01.12.2016.

In their activity, the Management Board members acted in compliance with specific economic legislation in force, norms and regulations issued by National Bank of Romania, Group rules and internal rules and regulations of UniCredit Bank SA.

The Management Board members' activity had as primary goal the effective and efficient management of the Bank's patrimony in full compliance with the law and statutory regulations.

In conclusion, the main focus of the Management Board members was on:

- Strong financial standing of the UniCredit Bank Group, including solid capital base and liquidity;
- Prudent risk management, including credit, market and operational risks;
- Strict and effective internal control of activity and operations, carried out in accordance with the legal provisions in force;
- Value added of all types of businesses, geographies and operations;
- Completion of the targets set in the budget;
- Business sustainability;
- Corporate social responsibility;
- Increase the productivity and efficiently functioning organizational structure of the Bank, focused on rendering qualitative and competitive banking services and products to the clients of the Bank;
- Increased efficiency of logistical organization and infrastructure;
- Higher automation and systems development, through improvement of banking software performances, risk management and specialized applications in order to satisfy the bank's operating needs, acting accounting and legal requirements, and enhance decision making process;
- Continuous development and professional training of the bank's employees.

12. Conclusion

Although the market conditions and the local and international economic environment continued to be challenging, in 2020 UniCredit Bank 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