

Interim Report For 30 June 2021

This interim report for 30 June 2021 is prepared in accordance with FSA Regulation no.5/ 2018

Date of Report:	26 July 2021
Name of the legal entity:	UniCredit Bank S.A.
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Corporate Contact Details:	Tel +40 21 200 2000 Website: www.unicredit.ro Email: office@unicredit.ro
Trade Register Registration Number:	J40/7706/1991
Sole Registration Code:	RO361536
Bank Register No:	RB-PJR - 40 - 011/1999
Operator of personal data nb. ANSPDCP:	10964
Subscribed and paid-up share capital:	RON 455,219,478.3
The regulated capital market on which the issued bonds are traded:	Bursa de Valori Bucuresti (BVB) - Bucharest Stock Exchange (www.bvb.ro)
Main characteristics of the bonds issued by UniCredit Bank S.A.:	28,050 corporate bonds having a nominal value of RON 10,000/bond, market symbol UCB22 (ISIN ROUCTBDBC030). http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=UCB22 18,350 corporate bonds having a nominal value of RON 10,000/bond, market symbol UCB24 (ISIN ROUCTBDBC048). http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=UCB24

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1. Analysis of Bank's activity

1.1. Company's presentation

UniCredit Bank S.A. (the „Bank”) is part of UniCredit Group SpA, a Pan European Commercial Bank, with a fully plugged in Corporate & Investment Banking, and is one of the main financial institutions in Romania, providing services and quality products for all client categories.

The Bank's current registered office is in Bucharest, 1F Expozitiei Boulevard, District 1, Romania. The Bank was established as a Romanian commercial bank as Banca Comerciala Ion Tiriac S.A. in 1991, which merged with HVB Bank Romania SA on 01.09.2006, resulting Banca Comerciala HVB Tiriac S.A. As a result of the merger by absorption of the former UniCredit Romania S.A. (the absorbed bank) by Banca Comerciala HVB Tiriac S.A. (the absorbing bank), the Bank is licensed by the National Bank of Romania to conduct banking activities.

UniCredit Bank S.A. is a joint stock company incorporated in 1991, registered with the Trade Register Bucharest under number J40/7706/1991, sole registration number (CUI) RO361536, registered with the Banking Register under number RB-PJR-40-011/1999, having EUID ROONRC J40/7706/1991, (http://www.bnro.ro/files/d/RegistreBNR/InstitCredit/ban1_raport.html).

As of 30 June 2021, UniCredit Group (the “Group”) consists of UniCredit Bank S.A. (the “Bank”) as parent company, and its subsidiaries, UniCredit Consumer Financing IFN S.A. (“UCFIN”), UniCredit Leasing Corporation IFN S.A (“UCLC”) and Debo Leasing SRL (“DEBO”) and UniCredit Insurance Broker S.R.L (“UCIB”). Further details are available in the *Reporting entity note* presented in the *notes to the interim condensed consolidated financial statements for the period ended 30 June 2021*.

The businesses of the subsidiaries and the percentage stake of the Bank in its subsidiaries are presented within the *Interim condensed consolidated financial statements prepared in accordance with IFRS as endorsed by EU for 30 June 2021*.

At 30 June 2021, UniCredit Group has conducted its activity through 147 branches and agencies (31 December 2020: 148) opened in Romania.

1.2. General evaluation in relation to the six-month period ended at 30 June 2021

For UniCredit Group, the first half of 2021 was marked by a positive evolution of the activity, based on the Romanian economy and private consumption recovery. Throughout this period, the emphasis was set on consolidating the market position and risk management - the solid position on the market allowing the Group to contribute to the recovery of the economy and to offer its customers products and services at the highest quality.

UniCredit Group Romania has obtained a consolidated net profit of RON thousands 436,217 during the first six months of 2021, increasing by 42.25% as compared to the same period of the previous year; the increase in net profit is mainly generated by the decrease in provisions for credit risk. The net profit attributable to equity holders of the parent company registered RON thousands 421,880 during the first half of the year, increasing by 31.89% as compared to the same period of 2020.

After a year 2020 with difficult market conditions in the pandemic context, year in which UniCredit Bank S.A had a very prudent risk approach, in the first half of 2021 lending accelerated significantly, both for companies and individuals, new volumes financed being higher than the similar period of last year.

In the first six months of 2021, the cost of credit risk improved due to the quality of the loan portfolio, significant recoveries and the resumption of payments from customers who benefited from their suspension in the context of the pandemic, and while non-performing loans' ratio decreased gradually.

UniCredit Group Romania achieved a consolidated operational income of RON thousands 1,085,970, higher by 0.73% comparing with the similar period of year 2020, on the back of higher net fee and commission income and net interest income, following the increase of commercial volumes. The operational expenses registered an increase of 12.32%, in amount of RON thousands 57,890 as compared with June 2020, mainly due to the

increase of the expenses with the contribution to the resolution fund and of various other expenses impacted by inflation (including salary expenses).

UniCredit Romania Group's key financial indicators in the first half-year of 2021 are as follows: the annualized return on equity (ROE) was 7.37%, while the annualized return on assets (ROA) reached 0.85%, both significantly above previous year's values. Cost-income ratio was at 48.60%, slightly higher as compared to the same period of the previous year due to higher operational expenses.

1.3. Assessment of the Group's technical level

UniCredit Bank S.A. is a top player in the digital banking segment in Romania, the bank's strategy focusing on introduction of the latest technologies and promoting digitalization for several years now among its corporate as well as retail clients, with the aim to provide them a high-quality experience, offering banking products and services that matter, whenever and wherever they need it. Therefore, during the first six months of 2021, the bank has added new functionalities and continued to expand its alternative channels, which enabled customers to digitally interact with the bank and easily access different products and services.

Starting from the customers' feedback the bank continued to develop its Mobile Banking app, for individuals, in order to offer a broader perspective on their accounts and products. A new updated interface for the homepage was developed, including a more user-friendly navigation menu. New features were also added, such as those allowing easy and fast transfer of money into the UniCredit account from accounts opened with other banks, options for data updating by uploading a photo of the ID card into the app, or updating of the phone number and address directly by the user, Direct Debit and new Push notifications.

In the same time, the implementation of the virtual voice guide Ioana in the Contact Center has contributed to an enhanced efficiency and an improvement of the customer experience. The virtual guide currently handles almost 25% of the calls and has interacted, since its launch, with more than 100,000 customers monthly. One of the most efficient skills of this system is the customers' proactive support in activating the Mobile Banking app - respectively in detecting an unsuccessful attempt to activate the application, followed by a phone call from the Virtual Guide that guides the clients in successful activation.

In response to a tangible need of Romanian customers, in 2021 UniCredit Bank S.A. has added to its service offer the possibility to withdraw cash in euro from several UniCredit BNAs, in 12 cities across the country, a feature that might be further extended in the future.

UniCredit Bank's goal to create digital tools perfectly fitted to the needs of its customers has generated positive results: in June 2021, 97% of transactions and payments were performed digitally, and 98% of cash withdrawals and 67% of deposits were made using BNAs.

The digitalization trend also continued both within UniCredit Consumer Financing IFN SA, with an emphasis on simplified digital flows meant to improve customers' experience, and at the same time UniCredit Leasing Corporation IFN SA offered, as a premiere for the Romanian market, the possibility for corporate clients to enrol without costs for electronic signature and electronic signing of the contractual documentation.

1.4. Assessment of sales activity

The first half of 2021 was marked by an economy revival which has reached a pre-pandemic level as well as the increase of private consumption. In this context, the bank's activity also had a good evolution, amid a return of the activity at the pre-pandemic level both in the individual and in the corporate segment. Throughout this period, the solid position of the Bank has allowed it to continue to contribute to the recovery of the economy, and to support its clients with financing solutions, including through guarantee programs such as SME Invest or New House. At the same time, the bank continued to promote digitalization and innovation, in order to offer customers the best solutions and, thus, to consolidate its top position in the digital banking segment in Romania.

During the first half of 2021, UniCredit has obtained numerous regional distinctions, as a recognition of its banking services' quality, including those offered on the Romanian market. Based on Euromoney's Trade Finance Survey 2021, Euromoney named UniCredit Group as Market Leader and the top provider in the All

Services category for Central and Eastern Europe (CEE), including Romania. A second survey (@euromoney's #CashManagement Financial Institutions Survey) which covered the CEE area, covering the cash management area, also recognized UniCredit Group as Market Leader and Best Services provider.

At the same time, the strong position of UniCredit Group was also recognized by the prestigious publication Global Finance, which appointed the Group as "Best Trade Finance Bank in CEE" and "Best Supply Chain Finance Provider in CEE", based on the survey "2021 Trade and Supply Chain Finance Awards". Furthermore, Global Finance recognized UniCredit as "The best bank for sub-custodian services" in Central and Eastern Europe, for the 12th consecutive year, in 2021. Last but not least, within its Global Wealth Tech 2021 competition, Professional Wealth Management awarded UniCredit Group as the Best Private Banking provider for use of technology in Central and Eastern Europe.

With regards to the commercial activity in the corporate clients' segment, UniCredit Bank S.A. continued in 2021 to offer special financing conditions in the context of the various guarantee conventions; thus, UniCredit customers benefited from lower costs and favourable terms for the guarantees requested to help them better address the challenges raised by the pandemic.

The European Investment Fund has extended the deadline for awarding financial support in the context created by Covid-19 to December 31st, 2021; the support consists in awarding loans for the working capital of SMEs and mid-caps from the Central and Eastern European region, which is 80% guaranteed by EIF (vs. 50% previously), and simplified eligibility criteria. These new measures expanded the scope of the InnovFin guarantee to larger mid-caps, thus widening the eligibility basis beyond enterprises already taken into consideration (SMEs or mid-capitalization companies). Furthermore, to support the adoption of digital technology and the companies' digital transformation, the InnovFin guarantee was also extended to cover digital transformation. This transaction benefited from the support of Horizon 2020, EU Research and Innovation Framework Program, as well as of the European Fund for Strategic Investments – which are the core of the Investment Plan for Europe. These new measures allowed UniCredit to provide support to companies from Romania and another 8 Central and Eastern European countries: Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Serbia, Slovakia and Slovenia.

In addition, in 2021, the bank continued to:

- facilitate the access of small and mid-size enterprises to funds covered by a guarantee for 60% of the credit value through its SME Initiative, a financial guarantee instrument accessed by UniCredit Bank S.A. and provided by the European Union (EU). EU supports these transactions through the SME Initiative program, funded by EU through EAFRD and Horizon 2020 and by the European Investment Fund and the European Investment Bank. Eligible companies have access to funds guaranteed by a financial instrument and thus benefit from favourable terms for financing to set out new enterprises, expand or consolidate current business or conduct new projects, including entering new markets;
- provide farmers, agricultural cooperatives and agricultural cooperative companies, manufacturer groups with funds for the working capital and investments, based on the Fund of Funds instrument that covers 50% of the amount, the funds coming from EAFRD, through the National program for agriculture and rural development, as well as from the national budget;
- provide micro-enterprises with a funding program in RON for current expenses of maximum 25.000 Euro (the equivalent value in RON), 80% of the credit value being guaranteed through EaSI (an instrument accessed by UniCredit Bank S.A. and made available by EU through the European Investment Fund, part of the European Investment Bank Group);
- finance SME customers with a turnover up to 3 million Euro, by giving loans for current expenses, with a payment schedule and 50% guarantee through COSME loan guarantee facility (LGF). COSME is a guaranteeing financial instrument set out by EIF which supports the development of companies and the research and innovation process.

Also, in 2021 UniCredit Bank S.A. has started the implementation of the credit facility with Cultural and Creative Sector guarantee through the European Investment Fund. This is a financial instrument that supports

advantageous funding of SME customers that operate in the Program's eligible sectors. As a response to Covid19 pandemic, EIF has brought several improvements to this program such as the guaranteeing percentage for standard products: 90% for transactions performed during the pandemic support period (until 31.12.2021), vs. 70%, guaranteed for transactions performed outside the pandemic support period.

A key pillar in the Bank's activity in 2021 continues to be the participation in the local risk sharing schemes set out by the Romanian state, to provide support to companies impacted by the consequences of the pandemic. Thus, in the first part of 2021, through SME Invest program and AGRO SME Invest subprogram, credit facilities have been granted through the bank's own funds and state guarantees to companies operating in various business areas, such as production, constructions, agriculture, food industry, IT, transport and further more. In addition, the bank also financed SMEs and large enterprises through EximBank Guarantee, which consists in state aid provided under the provisions of the European Commission Communication concerning the State Aid Temporary Framework to support the economy during the current Covid19 pandemic. The percentage covered by the guarantee is 50% or 90% depending on the type of loan.

The Bank continued to support companies in their digital transformation - offering, for example, up to 3 qualified certificates for digital signature, valid for 3 years, with no cost. The certificates can be used by companies in their interaction with the bank, as well as in their interaction with authorities and business partners, allowing them to benefit from remote services.

In the Corporate segment, UniCredit Bank S.A., through its Corporate Finance Advisory team, has shown capabilities both in serving the customers, as well as in maintaining a strong leadership on the M&A market in Romania, after counselling Brasil Foods on the sale of its subsidiary Banvit Foods SRL to Aaylex System Group SA, one of the largest vertically integrated producers of poultry in Romania. In the same time, UniCredit Group, through CEE Corporate Finance Advisory team and with the support of the local UniCredit Bank S.A. team also advised Credit Agricole SA on the sale of its Romanian subsidiary to VISTA Bank.

In the retail area, individual clients and SMEs, the bank continued in the first half of the year to offer new products and services, simplified processes and to promote digitalization. The objective of UniCredit Bank S.A. was to provide modern, digital products and services, and also remain close to its clients by - for example - rapid implementation of solutions to suspend monthly payment obligations from credit agreements and other government measures to support customers affected by the Covid19 pandemic, or competitive financing products (such as financing in the context of the New Home government program or the Green House Loan, with a fixed interest rate for the first five years).

UniCredit Consumer Financing IFN S.A. has implemented solutions dedicated to customers who declared their financial difficulties due to the situation generated by the Covid19 pandemic. At the same time, the benefits attached to credit cards were maintained and moreover, after analysing the changes in customers' behaviour, adapted solutions were implemented by redefining some benefits of credit cards, such as granting an increased percentage of cashback for transactions performed at supermarkets. Regarding personal loan offer, UniCredit Consumer Financing IFN S.A. proposed to its customers refinancing solutions adapted to their needs by implementing the refinancing loan granted for a maximum 10 years' tenor. Last but not least, the features and processes of lending products continued the digitization trend, focusing on simplified digital flows to improve the customer experience.

In the first half of 2021, **UniCredit Leasing Corporation IFN S.A.** maintained its top position on the financial leasing market, and digitalization continued to be an essential direction for the company. Thus, UniCredit Leasing Corporation IFN S.A. became the first leasing company in Romania to offer all its legal entities clients the possibility to obtain a qualified electronic signature, the enrolment for qualified electronic certificates valid for 3 months being facilitated by the company without additional costs. These qualified certificates allow the clients to quickly sign the contractual documentation using a qualified electronic signature issued by an authorized supplier in Romania; thus, the clients have the opportunity to choose the way they want to interact with the company - in the branch or remotely, through alternative channels.

1.5. Assessment of the risk management activities

UniCredit Group continued to carefully analyse the current and potential risks, reflecting it through the appropriate level of provisioning. The main risks to which UniCredit Group is exposed are:

1.5.1. The foreign exchange risk

UniCredit Group is exposed to foreign exchange risk, as a consequence of its foreign exchange transactions performed in RON and in foreign currencies, respectively of the mix of currencies in which the assets and the liabilities are denominated.

The main foreign currencies held by UniCredit Group are EUR and USD. UniCredit Bank S.A strictly monitors and manages the foreign currency position and monitors the exposure to the internal limits set by internal procedures.

1.5.2. Interest risk

UniCredit Group faces interest rate risk that could be a result of exposure to unfavourable 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.

Interest rate fluctuations can be a source of profit and increase in the value of shareholders' investment, but, at the same time they can pose a threat to the bank's revenues and capital. Variable interest rates influence the level of income through the effect on interest income and expenses as well as on other operating expenses and income that are sensitive to changes in rates; at the same time, they have an effect on the value generated by the bank by causing variations in the net present value of assets, liabilities and off-balance sheet items. In this regard, UniCredit Bank S.A has implemented risk management processes, which keep the interest rate risk within prudential limits.

Interest rate risk management outside the trading portfolio aims to optimize, in a normal market scenario, the risk return profile and create long-term value while reducing the negative impact on bank and regulatory capital gains from interest rate volatility.

UniCredit Bank S.A. monitors the exposure to interest rate risk through a system of indicators and associated limits: duration gap, basis point value, the VaR component of the interest rate outside the trading book, the sensitivity of net interest income and the change in economic value.

1.5.3. Credit risk

UniCredit 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. The 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 credit applications;
- Continuous monitoring of the exposures in order to identify any changes that may affect negatively the overall risk position, in order to adopt the most appropriate solutions for preventing/reducing the potential losses;
- Computation of expected credit loss (ECL), in accordance with the legislation in force on international financial reporting standards (IFRS9) and in conjunction with the provisions of UniCredit Group policies;
- Capital allocation for unexpected credit risk losses, in accordance with regulatory requirements and UniCredit Group SpA regulations;

- Regular monitoring of the credit risk profile, in order to ensure compliance with the tolerance limits defined in accordance with the risk management strategy and the Bank's risk appetite.

In respect of ensuring a prudent management for credit counterparty risk, the UniCredit Bank S.A. deals with international banks with adequate ranking based on specific assessment criteria and strict internal rules. There are specific limits for the transactions with other banks related to deposits and foreign currency exchanges.

1.5.4. Operational risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, but excludes strategic and reputational risks. Legal risk is a subcategory of operational risk which represents the risk of losses as a result of fines, penalties and sanctions for which the credit institution is liable due to failure to apply or deficiently applying legal or contractual provisions, as well as due to the fact that contractual rights and obligations of the bank and / or counterparty are not appropriately provided.

The operational risk management framework within UniCredit Bank S.A. is well structured and involves relevant factors in promoting a culture favourable to communication, management and control of operational risk. The framework is supported by the existence of a dedicated independent function for the control of operational risk, by a structure of relevant committees and by a system of reporting operational risk to the Management of the Bank.

The operational risk management system is integrated into the internal processes defined for the management of significant risks. The main tools employed in the management and control of operational risk are: collection of operational risk events, scenario analysis, operational risk indicators, mitigation actions and operational risk reporting.

The main objective of the operational risk management consists of implementing effective processes for the early identification of risk exposures as well as the definition and maintenance of a complex system of controls with proved efficiency in preventing risks' materialization and mitigating their effects.

1.5.5. Liquidity risk

The liquidity risk is the probability of UniCredit Group 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 UniCredit Bank S.A 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 UniCredit Group's liquidity framework, the main goal of the overall liquidity management is to keep the liquidity exposure at such a level that UniCredit Bank S.A is able to honour 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 types of operational structures: 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, the Group's liquidity and funding strategy is centred 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 mechanism for internal funds' transfer pricing.

Exposure to liquidity risk

Key indicators used by UniCredit Bank S.A. for measuring liquidity risk are:

- the daily short-term liquidity report, through which cash inflows and outflows mainly coming from inter-bank transactions are monitored;
- the structural liquidity ratios/gaps, used to assess the proportion of medium-long term assets sustained with stable funding;
- regulatory indicators: UniCredit Bank S.A. has to comply with the limits imposed by National Bank of Romania, such as the liquidity indicator calculated according to NBR Regulation no. 25/2011 and the Liquidity coverage ratio, calculated according with to the provisions of Regulation 575/2013 and Regulation no. 61/2015;
- other key indicators for the management of liquidity and funding needs used to assess the liquid assets, the concentration of funding and the way in which loans to customers are sustained by commercial funds.

UniCredit 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 UniCredit Bank S.A.

Regular stress testing assessments are performed in order to evaluate the liquidity position of UniCredit 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. Liquidity stress test results are useful in order to 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.

1.6. Macroeconomic perspectives

After cutting the key rate by a cumulated 1 percentage point (pp) during 2020, the National Bank of Romania („NBR”) concluded the easing cycle in January 2021, when it reduced the monetary policy rate one last time, by 0.25pp to 1.25%. All rate cuts were operated in the context of the coronavirus pandemic crisis. The level of minimum reserve requirements (MRR) for the foreign currency liabilities was stable at 5% during the first half of 2021, level reached in November 2020 after two cuts totalling 3pp during 2020 to increase the liquidity in the banking system. The level of minimum reserve requirements (MRR) for the local currency liabilities was unchanged throughout the pandemic, at 8%.

Market liquidity management remained an important monetary policy instrument, as the central bank continued to acquire bonds from the secondary market and in February 2021 restarted to organize periodic depo operations, depending on the excess liquidity in the market, in order to ensure relatively stable ROBOR rates.

Non-performing loans (NPL) ratio was at 3.91% at the end of May 2021, down from a peak of 4.38% reached at the height of the pandemic in June 2020. The support from the government (moratorium and support for the labour market) helped prevent a sharp deterioration of the loan portfolio and ensured a favourable position of

both companies and households once the restrictions were lifted. Keeping all these factors in mind, we no longer expect a significant deterioration in the quality of the loan portfolio this year.

The stock of total loans reached RON 296.3 bn. at the end of May 2021, registering an increase of 10.1% compared to the same month of the previous year, supported by a pickup in economic activity and the high propensity to invest and consume once the restrictions were lifted. The stock of RON loans increased by 15.4%, while the one of foreign currency loans registered a drop of 1% in annual terms. Loans to households increased by 7.1% in May 2021 compared to the same month of the previous year, supported by a 12.5% growth of RON-denominated loans, in spite of the 10.9% contraction of the foreign currency credit stock. The loans granted to companies had a similar evolution, with the local currency component up by 20.2% in annual terms, but a growth in annual terms for the foreign currency component as well, by 5.1%.

The savings had a positive trend, with the total deposits of households and companies touching a 435.9 bn level in May 2021, increasing by 13.7% in annual terms. Households' deposits, representing approximately 61% out of the total deposits, registered a higher increase on the local currency (15.4%) compared to the foreign currency (10.5%) in May 2021, in annual terms.

1.7. Integrity/Corporate Social Responsibility

For over 14 years, UniCredit Bank S.A. has supported some of the most important financial and entrepreneurial education projects, community and social initiatives, as well as cultural events in Romania, in cooperation with various non-governmental organizations and other partners. In 2021, the Bank continued to support the Romanian health system and to digitize most of the programs carried out in the offline environment in the past: the Educational Program of Social Impact Banking Start Major, Romanian Design Week, Diploma Festival, Radar New Media Art Festival, Sibiu International Theatre Festival (first online edition), Pe Bune Podcast series, Future Talks webinars, World Vision, Teach for Romania etc.

One of the important directions in 2021, which continued the charitable initiatives carried out in 2020 in response to the Covid19 pandemic, referred to supporting communities in moderating the effects of the pandemic, through different initiatives, such as:

- Implementation of an essential project – People Wearing White #HeroesNow (Oameni în Alb #AcumEroi), an initiative of Roddia. Developed together with the Romanian Association of Analytical Psychology (ARPA), this program aims to support the emotional wellbeing of doctors in their daily struggle to save lives during the Covid19 pandemic. In 2021 People in White continued to offer free therapeutic support for first-line medical staff.
- Financial support for an important refurbishment and equipments installation for the National Institute of Mother & Child Protection "Alessandrescu-Rusescu" Bucuresti Sectia Lauzie OG1, the maternity with the biggest new born and prematures section.

Social impact projects

In 2021 the Bank continued the Social Impact Banking (SIB) program, as part of UniCredit's commitment to building a fairer and more inclusive society. Its objective is to identify, finance and promote businesses and people that have a positive social impact, in order to generate both economic benefits and larger benefits at society level. In addition to the loans offered for projects and organizations which are generally excluded from accessing banking services and products, SIB offers UniCredit Group the opportunity to share financial and business expertise through educational projects dedicated to micro-enterprises, social businesses, vulnerable or under-privileged groups, including young persons, elderly persons and other categories in situations with risks of social exclusion. The involvement of UniCredit employees is an important element in accomplishing the actions within SIB which supports the building of valuable networks in communities wherein the Bank operates. With a focus on advancing social impact finance measurement standards and maximising the related direct and indirect social outcomes, SIB has developed a new measurement and evaluation system together with the think tank Human Foundation, that allows SIB to consistently monitor and evaluate its social impact finance activities across all 11 Group markets where SIB is active: Romania, Austria, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Germany, Hungary, Italy, Serbia and Slovakia.

Among the projects developed in 2021 under the SIB umbrella, between February and June 2021, the second edition of Start Major (the financial and career education program developed for students in vocational and technical education) took place. More than 1,700 high school students eager to increase their chances of financial independence and career success participated in the program, out of which three won a microfinance and a mentoring program. The courses took place entirely online, for students from 25 high schools in Bucharest, Cluj and Iasi counties. This edition was organized in partnership with The Social Incubator Association, with the participation of 15 employees of UniCredit Bank S.A. as volunteer trainers.

Educational projects

UniCredit Bank S.A. has traditionally supported art and culture, with a special affinity in the area of digital contemporary art and young artists. In addition, in recent years, the Bank has been developing a financial and entrepreneurial education program for creative minds from various industries, such as theatre and film, architecture and design, coffee-shops and restaurants, bakeries and pastry chefs, jewellery producers, in general creative entrepreneurs who start their own business in order to pursue a creative idea.

Brought in the online environment in 2020, the Academy of Creative Minds had until now 11 editions, all over the country, offering modules from financial planning, people development, business development & scale up, marketing, etc. In 2021, the Bank started the preparations for the implementation, in the second part of the year, of this program for entrepreneurs in the form of a business accelerator.

Last but not least, within the partnership with Teach for Romania, in the first part of 2021 the Bank was launched the educational podcast "On the Spot." and prepared for implementation the online Leadership Academy for Teachers, that will take place during 2021 summer.

2. Tangible and intangible assets of the Group

Tangible and intangible assets of the UniCredit Romania Group (net amount) were in the amount of RON thousands 642,538 at the end of first half of 2021 (including assets representing right of use from IFRS 16), compared to RON thousands 660,228 as of 31 December 2020. The 2.68% decrease was generated mainly by the decrease of the assets deriving from the right of use related to the leasing contracts.

3. Capital Market for the bonds issued by the Bank/Group

3.1 Description of the market in Romania and other countries on where the issued bonds are traded

In July 2017, the UniCredit Bank S.A issued 61,000 medium and long term bonds denominated in RON listed on Bucharest Stock Exchange with nominal value of 10,000/bond, having the following characteristics:

- Symbol UCB20, ISIN ROUCTBDBC022, number of instruments 14,600, floating rate ROBOR 6M + 0.65%, interest coupon half-yearly payable and redemption date on 15 July 2020. All 6 interest coupons have been paid and the bond matured in July 2020;
- Symbol UCB22, ISIN ROUCTBDBC030, number of instruments 28,050, floating rate ROBOR 6M + 0.85%, interest coupon half-yearly payable and redemption date on 15 July 2022. Out of 10 interest coupons of this bond issue, the first 7 coupons have been paid to the bond holders;
- Symbol UCB24, ISIN ROUCTBDBC048, number of instruments 18,350, floating rate ROBOR 6M + 1.05%, interest coupon half-yearly payable and redemption date on 15 July 2024. Out of 14 interest coupons of this bond issue, the first 7 coupons have been paid to the bond holders.

Information regarding these bonds are presented on the Bucharest Stock Exchange website:

(<http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=UCB22>)

(<http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=UCB24>)

3.2. Description of the way the entities settle the obligations to the holders of those securities

The coupon payments are made in accordance with the provisions of the Chapter „Bonds terms and conditions”, paragraph **9 Payments** in the „BONDS ISSUE PROSPECTUS” published on the Financial Supervision Authority’s website.

(<http://www.asfromania.ro>) – direct link:

(<http://www.asfromania.ro/supraveghere/supraveghere-capital/emitenti-capital-supraveghere/oferte-publice-capital-supraveghere/prospecte-amendamente/1891-prospectele-amendamentele-certificatele-pentru-ofertele-de-vanzare-aprobate-de-a-s-f-c-n-v-m>).

UniCredit Bank SA signed in August 2017 Service Contracts with the Central Depository and has the status of paying agent for its own issued bonds.

3.3. Description of Bank’s policy regarding dividends

In April 2021, the General Meeting of Shareholders approved the distribution of the Bank’s net profit for the year 2020, in total amount of RON 403,622,208.87, as presented in the Separate Financial Statements prepared in accordance with IFRS as endorsed by EU and applicable to credit institutions in accordance with NBR Order 27/2010 and further amendments, as follows:

- set-up of a reserve for the amount of RON 39,980,000.00 related to the reinvested profit of the year 2020, for which the Bank applied the income tax exemption according to art. 22 of Law no. 227/2015;
- reinvestment of the remaining net profit in total amount of RON 363,682,202.87.

4. Changes which impact the Shareholders equity and Management of the Group

4.1. Changes in the administration of the Group

On 17th of April 2008, General Meeting of Shareholders adopted the dual tier governance system, through which the management of UniCredit Bank SA is ensured by the Management Board, respectively by Supervisory Board, Management Board members not being able to be in the same time members of the Supervisory Board.

Presentation of the Supervisory Board members as of June 30, 2021

Supervisory Board of UniCredit Bank as of June 30, 2021 consisted of:

1. **Pasquale Giamboi**, Italian citizen, President of Supervisory Board;
2. **Huseyin Faik Acikalin**, Turkish citizen, Member;
3. **Zeynep Nazan Somer Ozelgin**, Turkish citizen, Member;
4. **Luboslava Uram**, Slovak citizen, Vice-president;
5. **Riccardo Roscini**, Italian citizen, Member;
6. **Niccolo' Ubertalli**, Italian citizen, Member;
7. **Graziana Mazzone**, Italian citizen, Member;

Presentation of the Management Board members as of June 30, 2021

Management Board of UniCredit Bank as of 30 June 2021 consists of:

1. **Catalin Rasvan Radu**, Romanian citizen, Executive President (CEO), President of Management Board;
2. **Tzvetanka Gueorguieva Mintcheva**, Bulgarian citizen, Member of Management Board, Deputy CEO;
3. **Philipp Gamauf**, Austrian citizen, Executive Vice-president, Member of Management Board;
4. **Nicola Longo Dente**, Italian citizen, Executive Vice-president, Member of Management Board;
5. **Andrei Bratu**, Romanian citizen, Executive Vice-President, Member of Management Board;
6. **Carlo Driussi**, Italian citizen, Executive Vice-President, Member of Management Board;
7. **Antoaneta Curteanu** – Romanian citizen, Executive Vice-President, Member of Management Board.
8. **Dragos Marian Birlog**, Romanian citizen, Executive Vice-President, Member of Management Board from 10.06.2021;
9. **Diana Ciubotariu**, Romanian citizen, Executive Vice-President, Member of Management Board from 03.03.2021;

During January-June 2021, there have been the following changes in the governing bodies of UniCredit Bank:

Supervisory Board's members:

No modification during reference period.

Management Board's members:

Supervisory Board held on 02.11.2020 decided upon:

- appointment of **Mrs. Diana Ciubotariu** as member of Management Board, Executive Vice-President, from 01.01.2021 until 17.04.2023 (approved by NBR on March 1, 2021)

Supervisory Board held on 02.03.2021 decided upon:

- appointment of **Mr. Dragos Marian Birlog** as member of Management Board, Executive Vice-President, from 08.03.2021 until 17.04.2023 (approved by NBR on June 10, 2021)

There are no litigations or administrative proceedings in the Bank's records regarding the members of the Supervisory Board or the Board of Directors of UniCredit Bank.

4.2. Increase of share capital. Changes in the shareholders' equity of the Bank

As of 30 June 2021, the share capital of the UniCredit Bank S.A is RON 455,219,470.30 consists of 48,948,331 ordinary shares (same number as for 31 December 2020), with a face value of RON 9.30 /share and a share premium of RON 75.93 /share. The total value of the share premium is RON thousands 621,680.

As of 30 June 2021, UniCredit SpA, the main shareholder of the Bank, owns 98.63% of the UniCredit Bank's social capital (same as in 31 December 2020).

No changes in the share capital of the UniCredit Bank S.A were performed during January-June, 2021.

Therefore, on June 30, 2021, the Shareholders structure was as follows:

Shareholders	Shares' number	Value (RON)	%
UniCredit S.p.A. - Italy	48,277,621	448,981,875.30	98.6298
Romanian Individuals	626,485	5,826,310.50	1.2799
Romanian Legal Entities	21,606	200,935.80	0.0441
Foreign Individuals	15,279	142,094.70	0.0312
Foreign Legal Entities	7,340	68,262.00	0.0150
TOTAL	48,948,331	455,219,478.30	100

The shareholders' structure of the Bank is as follows:

	30.06.2021	31.12.2020
	%	%
UniCredit SpA	98.63	98.63
Others investors	1.37	1.37
Total	100.00	100.00

The structure of the capital is as follows:

RON thousands	30.06.2021	31.12.2020
Statutory social capital	455,219	455,219
IAS 29 – Hyperinflation effect	722,529	722,529
Social capital as per IFRS	1,177,748	1,177,748

5. Consolidated financial statements

5.1. Assets, Liabilities, Equity

The structure and the evolution of the main categories of assets, liabilities and equity of the UniCredit Group are presented below:

In RON thousands	Group	
	30.06.2021	31.12.2020
Assets:		
Cash and cash equivalents	8,883,486	12,236,808
Financial assets at fair value through profit or loss	481,084	555,337
Derivatives assets designated as hedging instruments	1,533	-
Loans and advances to customers at amortized cost	26,682,181	25,229,315
Net lease receivables	3,642,697	3,515,814
Placements with banks at amortized cost	196,704	212,130
Debt instruments at amortized cost	7,853,088	6,148,138
Financial assets at fair value through other comprehensive income	2,211,876	3,020,373
Other financial assets at amortized cost	181,938	143,440
Property and equipment	206,549	215,505
Right of use assets	181,871	198,789
Intangible assets	254,118	245,934
Current tax assets	568	858
Deferred tax assets	121,525	119,797
Other assets	113,737	126,302
Total assets	51,012,955	51,968,540
Liabilities:		
Financial liabilities at fair value through profit or loss	39,632	73,017
Derivatives liabilities designated as hedging instruments	61,705	81,216
Deposits from banks	810,291	595,076
Loans from banks and other financial institutions at amortized cost	4,853,599	5,564,667
Deposits from customers	34,529,001	35,772,365
Debt securities issued	1,948,227	1,922,036
Other financial liabilities at amortized cost	880,684	518,044
Subordinated liabilities	940,239	929,593
Lease liabilities	180,796	196,836
Current tax liabilities	47,090	6,801
Provisions	222,888	223,576
Other non-financial liabilities	247,452	243,364
Total liabilities	44,761,604	46,126,591

Half-Year Report as of 30 June 2021 as per FSA Reg. no.5/2018

In RON thousands	Group	
	30.06.2021	31.12.2020
Equity		
Share capital	1,177,748	1,177,748
Share premium	621,680	621,680
Cash flow hedge reserve	(39,387)	(46,441)
Reserve on financial assets at fair value through other comprehensive income	73,212	107,908
Revaluation reserve on property and equipment	13,316	12,722
Other reserves	365,496	325,516
Retained earnings	3,904,091	3,521,959
Total equity for parent company	6,116,156	5,721,092
Non-controlling interest	135,195	120,857
Total equity	6,251,351	5,841,949
Total liabilities and equity	51,012,955	51,968,540

At the end of June 2021, total assets were RON thousands 51,012,955 compared to RON thousands 51,968,540 as of 31 December 2020 (decrease by 1.84%).

The main significant changes (increase/decrease) within the UniCredit Group assets were for the following categories:

- **Debt instruments at amortized cost:** increased by RON thousands 1,704,950 (+27.73%) from RON thousands 6,148,138 in December 2020, to RON thousands 7,853,088 in June 2021.
- **Loans and advances to customers at amortized cost:** increased by RON thousands 1,452,866 (+5.76%) from RON thousands 25,229,315 in December 2020, to RON thousands 26,682,181 in June 2021.
- **Cash and cash equivalents:** decreased by RON thousands 3,353,322 (-27.40%) from RON thousands 12,236,808 in December 2020, to RON thousands 8,883,486 in June 2021.
- **Net lease receivables:** increased by RON thousands 126,883 (+3.61%) from RON thousands 3,515,814 in December 2020, to RON thousands 3,642,697 in June 2021.
- **Financial assets at fair value through other comprehensive income:** decreased by RON thousands 808,497 (-26.77%) from RON thousands 3,020,373 in December 2020, to RON thousands 2,211,876 in June 2021.

The main significant changes (increase/decrease) of Group liabilities/equity positions were for the following categories:

- **Deposits from banks:** increased by RON thousands 215,215 (+36.17%) from RON thousands 595,076 at 31 December 2020, to RON thousands 810,291 at June 2021.
- **Loans from banks and other financial institutions at amortized cost:** decreased by RON thousands 711,068 (-12.78%) from RON thousands 5,564,667 at 31 December 2020, to RON thousands 4,853,599 at June 2021.
- **Deposits from customers:** decreased by RON thousands 1,243,364 (-3.48%) from RON thousands 35,772,365 at 31 December 2020, to RON thousands 34,529,001 at June 2021.
- **Other financial liabilities at amortised cost:** increased by RON thousands 362,640 (+70.00%) from RON thousands 518,044 at 31 December 2020, to RON thousands 880,684 at June 2021.
- **Retained earnings:** increased by RON thousands 382,132 (+10.85%) from RON thousands 3,521,959 at 31 December 2020, to RON thousands 3,904,091 at June 2021.

5.2. Income statement

The UniCredit Group Income statement for June 2020 and June 2019 is presented below:

In RON thousands	Group	
	30.06.2021	30.06.2020
Interest income	819,385	906,956
Interest expense	(153,417)	(246,117)
Net interest income	665,968	660,839
Fee and commission income	271,150	221,477
Fee and commission expense	(81,992)	(67,718)
Net fee and commission income	189,158	153,759
Net income from instruments at fair value through profit and loss	165,049	161,629
FX Gains/ (Losses)	14,716	29,430
Fair value adjustments in hedge accounting	(843)	437
Net gain/(loss) from derecognition of financial assets measured at FVTOCI	42,291	49,656
Net gain/(loss) from derecognition of financial assets measured at amortised cost	467	8,635
Dividends incomes	2,229	1,972
Other operating income	6,935	11,716
Operating income	1,085,970	1,078,073
Personnel expenses	(228,067)	(214,217)
Depreciation and impairment of tangible assets	(50,046)	(49,784)
Amortisation and impairment of intangible assets	(28,839)	(23,211)
Other administrative costs	(196,596)	(168,833)
Other operating costs	(24,242)	(13,855)
Operating expenses	(527,790)	(469,900)
Net operating income	558,180	608,173
Net impairment losses on financial assets	(44,253)	(221,333)
Net impairment losses on non-financial assets	1,759	(2,788)
Net provision losses	2,336	(16,855)
FX Gains/ (Losses)	(153)	-
Profit before taxation	517,869	367,197
Income tax	(81,652)	(60,534)
Net profit for the period	436,217	306,663
Attributable to:		
Equity holders of the parent company	421,880	319,875
Non-controlling interests	14,337	(13,212)
Net profit for the period	436,217	306,663

5.3. Cash flows

The structure of cash flows is summarized by the statement of cash flows:

In RON thousands	Group	
	30.06.2021	30.06.2020
Operating activities		
Profit before taxation	517,868	367,197
Adjustments for non-cash items:		
Depreciation, amortization and impairment on tangible and intangible assets	78,885	72,995
Net impairment losses on financial assets	92,995	236,200
Change in fair value of derivatives at fair value through profit or loss	(6,635)	(3,139)
Other items for which the cash effects are investing or financing	70,151	78,981
Other non-cash items	90,247	32,387
Operating profit before changes in operating assets and liabilities	843,511	784,621
Change in operating assets:		
(Increase) / Decrease in financial assets at fair value through profit and loss/other comprehensive income	798,269	3,828,340
Acquisition of debt instruments at amortized cost	(1,641,208)	(4,014,368)
(Increase) / Decrease in loans and advances to banks	14,598	142,767
(Increase) / Decrease in loans and advances to customers	(1,515,960)	369,899
(Increase) / Decrease in lease investment	(155,700)	(161,919)
(Increase) / Decrease in other assets	(29,509)	73,912
Change in operating liabilities:		
(Decrease) / Increase in deposits from banks	215,245	(332,770)
(Decrease) / Increase in deposits from customers	(1,447,747)	(1,113,442)
(Decrease) / Increase in other liabilities	7,918	362,981
Income tax paid	(37,639)	(34,306)
Cash flows from / (used in) operating activities	(2,948,222)	(94,285)
Investment activities		
Proceeds on disposal of property, plant and equipment	200	-
Acquisition of property, plant and equipment and intangible assets	(45,055)	(61,327)
Dividends received	2,312	2,322
Cash flows used in investment activities	(42,543)	(59,005)
Financing activities		
Dividends paid	(91)	(298)
Repayments of loans from financial institutions	(1,074,017)	(1,295,044)
Drawdowns from loans from financial institutions	669,804	696,808
Repayment of the lease liabilities	(33,127)	(30,628)
Cash flows from financing activities	(437,431)	(629,162)
Net increase in cash and cash equivalents	(3,428,196)	(782,452)
Cash and cash equivalents at 1 January	12,242,063	11,698,460
Effect of foreign exchange rate changes	70,926	70,926
Cash and cash equivalents at 30 June - gross value	8,884,793	10,994,901
Impairment adjustments	(1,307)	(4,998)
Cash and cash equivalents at 30 June - net value	8,883,486	10,989,903
Cash flow from operating activities include:		
Interest received	837,211	936,869
Interest paid	(142,457)	(193,042)

6. Annexes

The following documents are attached to the present report:

6.1. Compliance statement

Statement of the Directorate Members who has assumed the responsibility for the preparation of the Interim Condensed Consolidated Financial Statements for the period ended 30 June 2021.

6.2. Annex related to changes in Supervisory Board and Management Board composition

The changes related to the Supervisory Board and Management Board composition are presented in the Annex.

6.3. Financial statements and auditor report

Interim Condensed Consolidated Financial Statements for the period ended 30 June 2021 prepared in accordance with IFRS as endorsed by European Union and reviewed by external independent auditor Deloitte Audit SRL.

Catalin Rasvan Radu

Chief Executive Officer



Philipp Gamauf

Chief Financial Officer



Revised by,

Ana Costea

Accounting & Reporting Director



Prepared by,

Ciprian Paulet

Regulatory Reporting



Annex 6.1. Compliance statement

DECLARATION**According to art. 31 from Accounting Law no. 82/1991**

The **“Interim condensed consolidated financial statements”** as of June 30, 2021 for UniCredit Bank S.A. Group (“The Group”) have been prepared in accordance with the provisions of the National Bank of Romania Order no 27/2010 regarding the approval of the Accounting Regulations, in accordance to the European Directives, with subsequent updates, for:

Legal entity: UNICREDIT BANK S.A.

County: 41 - Directia Generala de Administrare Mari Contribuabili, Bucharest

Adress: Bucharest, 1st District, Expozitiei Bd, no.1F, phone 021/200.20.00

Trade Register Registration number: J40/7706/1991

Property form: 34 – Stock companies

Main activity (code and class name CAEN): 6419 – Other monetary intermediation activities

Sole registration Code: RO 361536.

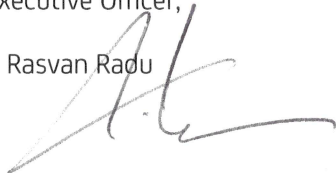
The persons responsible for the management of the Group assume responsibility for the production of “Interim condensed consolidated financial statements” as of June 30, 2021.

The financial statements have been prepared in accordance with NBR Order no.27/2010 for approval of Accounting Regulations in accordance to the European Directive, with subsequent updates and ammendments and we confirm that:

- a) the accounting policies applied for the production of the interim condensed consolidated financial statements are in accordance with the applicable accounting regulations;
- b) the interim condensed consolidated financial statements offer a true and fair view of the financial position, of the financial performance and of the other information regarding the activity of the Group.

Chief Executive Officer,

Catalin Rasvan Radu



Chief Financial Officer,

Philipp Gamauf



Annex 6.2. Changes in Supervisory Board and Management Board composition



BANCA NAȚIONALĂ A ROMÂNIEI

FLORIN GEORGESCU
Prim-viceguvernator

Nr./FG/ 383 /10.06.2021

Domnului CĂTĂLIN RĂSVAN RADU
Președinte executiv
UniCredit Bank S.A.

Domnule Președinte executiv,



Referitor la solicitarea dvs. formulată prin scrisoarea nr. 34737/23.03.2021, în temeiul prevederilor art.108 alin.3 din *Ordonanța de urgență a Guvernului nr.99/2006 privind instituțiile de credit și adecvarea capitalului, aprobată cu modificări și completări prin Legea nr.227/2007*, cu modificările și completările ulterioare și ale art.104 alin.1 lit.b) și art.109 alin.1 din *Regulamentul Băncii Naționale a României nr.12/2020 privind autorizarea instituțiilor de credit și modificările în situația acestora*, vă comunicăm aprobarea prealabilă a Băncii Naționale a României pentru domnul Dragoș-Marian Bîrlog, în calitate de conducător al UniCredit Bank S.A., membru al Directoratului, respectiv Vicepreședinte Executiv, Coordonator al Diviziei Conformitate.

În conformitate cu prevederile art.104 alin.3 din *Regulamentul Băncii Naționale a României nr.12/2020 privind autorizarea instituțiilor de credit și modificările în situația acestora*, veți notifica Băncii Naționale a României înregistrarea modificării intervenite în situația băncii la Oficiul Registrului Comerțului, în termen de 20 zile de la data realizării acesteia.

Cu stimă,

Banca Națională a României, în calitate de operator de date cu caracter personal, prelucrează datele cu caracter personal care au fost obținute direct de la persoana vizată sau indirect de la un alt operator de date cu caracter personal, în conformitate cu prevederile legislației naționale în vigoare aplicabile și ale Regulamentului (UE) 679/2016 privind protecția persoanelor fizice în ceea ce privește prelucrarea datelor cu caracter personal și privind libera circulație a acestor date și de abrogare a Directivei 95/46/CE (Regulamentul general privind protecția datelor – RGPD). Mai multe informații cu privire la prelucrarea datelor cu caracter personal de către Banca Națională a României puteți afla accesând pagina web www.bnr.ro/Data-cu-caracter-personal-17892.aspx.



BANCA NAȚIONALĂ A ROMÂNIEI

FLORIN GEORGESCU
Prim-viceguvernator

Nr./FG/ 116/01.03.2021

Domnului CĂTĂLIN RĂSVAN RADU

Președinte executiv

UniCredit Bank S.A.



Domnule Președinte executiv,

Referitor la solicitarea dvs. formulată prin scrisoarea nr. 153991/02.12.2020, în temeiul prevederilor art.108 alin.3 din *Ordonanța de urgență a Guvernului nr.99/2006 privind instituțiile de credit și adecvarea capitalului, aprobată cu modificări și completări prin Legea nr.227/2007*, cu modificările și completările ulterioare, coroborat cu art.3 alin.(1) lit.b) și art.7 alin.(1) din *Regulamentul Băncii Naționale a României nr.6/2008 privind începerea activității și modificările în situația instituțiilor de credit, persoane juridice române, și a sucursalelor din România ale instituțiilor de credit din state terțe*, cu modificările și completările ulterioare, cu aplicarea art.III alin.1 din *Regulamentul Băncii Naționale a României nr. 11/2020 pentru modificarea și completarea Regulamentului Băncii Naționale a României nr. 5/2013 privind cerințe prudențiale pentru instituțiile de credit*, vă comunicăm aprobarea prealabilă a Băncii Naționale a României pentru doamna Diana Ciubotariu, nominalizată în calitate de conducător al UniCredit Bank S.A, membru al Directoratului instituției de credit.

În conformitate cu prevederile art.104 alin.3 din *Regulamentul Băncii Naționale a României nr.12/2020 privind autorizarea instituțiilor de credit și modificările în situația acestora*, veți notifica Băncii Naționale a României înregistrarea modificării intervenite în situația băncii la Oficiul Registrului Comerțului, în termen de 20 zile de la data realizării acesteia.

Cu stimă,

Banca Națională a României, în calitate de operator de date cu caracter personal, prelucrează datele cu caracter personal care au fost obținute direct de la persoana vizată sau indirect de la un alt operator de date cu caracter personal, în conformitate cu prevederile legislației naționale în vigoare aplicabile și ale Regulamentului (UE) 679/2016 privind protecția persoanelor fizice în ceea ce privește prelucrarea datelor cu caracter personal și privind libera circulație a acestor date și de abrogare a Directivei 95/46/CE (Regulamentul general privind protecția datelor - RGPD). Mai multe informații cu privire la prelucrarea datelor cu caracter personal de către Banca Națională a României puteți afla accesând pagina web www.bnro.ro Date-cu-caracter-personal-17892.aspx.

**EXTRAS DIN DECIZIA
CONSILIULUI DE SUPRAVEGHERE AL UNICREDIT BANK S.A.
DIN DATA DE 02.03.2021**

Consiliul de Supraveghere al UniCredit Bank S.A. ("Banca"), în baza prevederilor Actului Constitutiv al Băncii și a dispozițiilor legale în vigoare și în conformitate cu informațiile prezentate în cadrul ședinței care a avut loc în data de 02.03.2021,

**Referitor la punctul nr. 9 de pe agendă
"Aprobarea modificărilor în componența Directoratului
UniCredit Bank S.A."**

Decide în unanimitate după cum urmează:

1. Se numește începând cu data de 08.03.2021, în funcția de Membru al Directoratului Băncii, Vicepreședinte Executiv, Coordonator al Diviziei Conformitate, dl Dragoș-Marian Bîrlog, cetățean român, domiciliat în Mun. București, Sector 1, Str. Smaranda Brăescu nr.18, bl.2B, sc.1, et.3, ap.14, născut la data de 06.08.1979, în mun. Tîrgoviște, jud. Dîmbovița, posesor al CI seria RT nr.960854, emisă de SPCEP Sector 1 la data de 13.08.2013 și valabilă până la data de 06.08.2023, CNP 1790806151834.
2. Durata mandantului dlui Dragoș-Marian Bîrlog va fi egală cu durata rămasă până la expirarea mandantului Directoratului Băncii, respectiv până la data de 17.04.2023.
3. Dl Dragoș-Marian Bîrlog va începe să-și exercite atribuțiile de Membru al Directoratului Băncii, Vicepreședinte Executiv, Coordonator al Diviziei Conformitate, numai începând de la data primirii aprobării prealabile din partea Băncii Naționale a României.

**EXTRACT FROM THE DECISION OF THE SUPERVISORY
BOARD OF UNICREDIT BANK S.A.
AS OF 02.03.2021**

The Supervisory Board of UniCredit Bank S.A. ('the Bank'), based on the provisions of the Constitutive Act of the Bank and on the legal provisions in force and in accordance with the information presented during the meeting held on 02.03.2021,

**Regarding point no. 9 on the agenda
'Approval of changes within the composition of the
Management Board of UniCredit Bank S.A.'**

Unanimously decides as follows:

1. It is appointed, starting with the date of 08.03.2021, as Member of the Bank's Management Board, Executive Vice-President, Coordinator of the Compliance Division, Mr. Dragoș-Marian Bîrlog, romanian citizen, domiciled in Bucharest, Sector 1, 18 Smaranda Brăescu Street, bl.2B, sc.1, floor 3, app.14, born on 06.08.1979, in Tîrgoviște, Dîmbovița County, identified with IC series RT no. 960854, issued by SPCEP Sector 1 on 13.08.2013 and valid until 06.08.2023, CNP 1790806151834.
2. The duration of the mandate of Mr. Dragoș-Marian Bîrlog shall be equal with the duration left until the expiration of the mandate of the Bank's Management Board, respectively until 17.04.2023.
3. Mr. Dragoș-Marian Bîrlog will start exercising his responsibilities as Member of the Bank's Management Board, Executive Vice-President, Coordinator of the Compliance Division, only after receiving the prior approval of the National Bank of Romania.

Președinte al Consiliului de Supraveghere / President of the Supervisory Board

Pasquale GIAMBOI



Secretar de ședință / Secretary of the meeting

Loredana PĂNCULESCU



UniCredit Bank S.A.

Bulevardul Expozitiei nr. 1F,
Sector 1, Bucuresti
Tel +40 21 200 2020
e-mail: infocenter@unicredit.ro

Bancă membră a UniCredit Group - Nr. de ordine în Registrul Bancar: RB-PJR-40-011/
18.02.1999 - Capital social: 455.219.478.30 RON - Nr. de Ordine în registrul
Comertului: J40/7706/1991 - Cod unic de înregistrare: 361536 - EUID:
R00NRCJ40/7706/1991 - Operator de date cu caracter personal nr. 10964,
societate administrată în sistem dualist, Cod SWIFT: BACKROBU

**EXTRAS DIN DECIZIA
CONSILIULUI DE SUPRAVEGHERE AL UNICREDIT BANK S.A.
DIN DATA DE 02.11.2020**

Consiliul de Supraveghere al UniCredit Bank S.A. ("Banca"), în baza prevederilor Actului Constitutiv al Băncii și a dispozițiilor legale în vigoare și în conformitate cu informațiile prezentate în cadrul ședinței care a avut loc în data de 02.11.2020,

**Referitor la punctul nr. 10 de pe agendă
"Aprobarea numirii noilor membri ai Directoratului
UniCredit Bank S.A."**

Decide în unanimitate după cum urmează:

1. Se numește începând cu data de 01.01.2021, în funcția de Membru al Directoratului Băncii, Vicepreședinte Executiv, Coordonator al Diviziei Juridic & Afaceri Corporative, dna Diana Ciubotariu, cetățean român, domiciliat în Mun. București, Sector 2, Șos. Colentina nr.2, bl.1, șc.D, et.9, ap.160, născută la data de 18.05.1978, în Mun. București, Sector 2, posesoare a CI seria RT nr.888298, emisă de SPCEP Sector 2 la data de 18.04.2013 și valabilă până la data de 18.05.2023, CNP 2780518421522.
2. Durata mandatului dnei Diana Ciubotariu va fi egală cu durata rămasă până la expirarea mandatului Directoratului Băncii, respectiv până la data de 17.04.2023.
3. Dna Diana Ciubotariu va începe să-și exercite atribuțiile de Membru al Directoratului Băncii, Vicepreședinte Executiv, Coordonator al Diviziei Juridic & Afaceri Corporative, numai începând de la data primirii aprobării prealabile din partea Băncii Naționale a României.

**EXTRACT FROM THE DECISION OF THE SUPERVISORY
BOARD OF UNICREDIT BANK S.A.
AS OF 02.11.2020**

The Supervisory Board of UniCredit Bank S.A. ('the Bank'), based on the provisions of the Constitutive Act of the Bank and on the legal provisions in force and in accordance with the information presented during the meeting held on 02.11.2020,

**Regarding point no. 10 on the agenda
'Approval of appointments of newly proposed Members
of the Management Board of UniCredit Bank S.A.'**

Unanimously decides as follows:

1. It is appointed, starting with the date of 01.01.2021, as Member of the Bank's Management Board, Executive Vice-President, Coordinator of the Legal & Corporate Affairs Division, Mrs. Diana Ciubotariu, romanian citizen, domiciled in Bucharest, Sector 2, 2 Colentina Street, bl.1, sc.D, floor 9, app.160, born on 18.05.1978, in Bucharest, Sector 2, identified with IC series RT no. 888298, issued by SPCEP Sector 2 on 18.04.2013 and valid until 18.05.2023, CNP 2780518421522.
2. The duration of the mandate of Mrs. Diana Ciubotariu shall be equal with the duration left until the expiration of the mandate of the Bank's Management Board, respectively until 17.04.2023.
3. Mrs. Diana Ciubotariu will start exercising her responsibilities as Member of the Bank's Management Board, Executive Vice-President, Coordinator of the Legal & Corporate Affairs Division, only after receiving the prior approval of the National Bank of Romania.

Președinte al Consiliului de Supraveghere / President of the Supervisory Board

Rasquale GIAMBOI

Secretar de ședință / Secretary of the meeting

Loredana PĂNCULESCU

UniCredit Bank S.A.

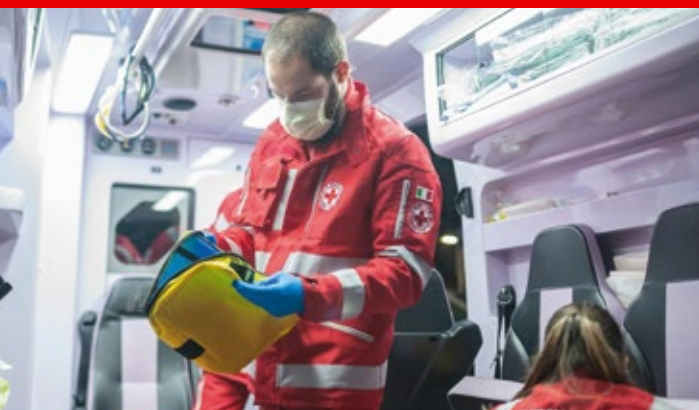
Bulevardul Expozitiei nr. 1F,
Sector 1, Bucuresti
Tel +40 21 200 2020
e-mail: infocenter@unicredit.ro

Bancă membră a UniCredit Group. Nr. de ordine în Registrul Bancar: RB PIR 40/0117
18.02.1999 - Capital social: 455.219.476,40 RON - Nr. de ordine în registrul
Comerțului: 140/7706/1991 - Cod unic de înregistrare: 361536 - EUID:
ROONRC140/7706/1991 - Operator de date cu caracter personal nr. 10964,
societate administrată în sistem dualist, Cod SWIFT: BACROBU

Annex 6.3. Financial Statements and Auditor's Report



Do the right thing!



Interim Condensed Consolidated Financial Statements 30 June 2021

prepared in accordance with IAS 34
“Interim Financial Reporting”



UniCredit Bank S.A.

Interim Condensed Consolidated
Financial Statements
30 June 2021

prepared in accordance with
IAS 34 "Interim Financial Reporting"

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the shareholders of
UniCredit Bank S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of UniCredit Bank S.A. (the 'Bank') and its subsidiaries: UniCredit Consumer Financing IFN S.A., UniCredit Leasing Corporation IFN S.A., UniCredit Insurance Broker S.R.L. and Debo Leasing S.R.L. as of 30 June 2021 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended ("Interim condensed consolidated financial information"). Management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, Regulation (EU) No. 537/2014 of the European Parliament and the Council and Law 162/2017 and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information of the Bank is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Claudiu Ghiurluc, Audit Partner

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

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

On behalf of:
DELOITTE AUDIT S.R.L.

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
July 28, 2021

Interim condensed consolidated financial statement of Financial Position for the six months period ended 30 June 2021

In RON thousands	Note	30.06.2021	30.06.2020 *Restated
Interest income		819,385	906,956
Interest expense		(153,417)	(246,117)
Net interest income	7	665,968	660,839
Fee and commission income		271,150	221,477
Fee and commission expense		(81,992)	(67,718)
Net fee and commission income	8	189,158	153,759
Net income from instruments at fair value through profit and loss	9	165,049	161,629
Net gain/(loss) from foreign exchange		14,716	29,430
Fair value adjustments in hedge accounting		(843)	437
Net gain/(loss) from derecognition of financial assets measured at amortised cost*		467	8,635
Net gain/(loss) from derecognition of financial assets measured at FVTOCI*		42,291	49,656
Dividend income		2,229	1,972
Other operating income		6,935	11,716
Operating income		1,085,970	1,078,073
Personnel expenses	10	(228,067)	(214,217)
Depreciation and impairment of tangible assets		(50,046)	(49,784)
Amortization and impairment of intangible assets		(28,839)	(23,211)
Other administrative costs	11	(196,596)	(168,833)
Other operating costs		(24,243)	(13,855)
Operating expenses		(527,791)	(469,900)
Net operating income		558,179	608,173
Net impairment losses on financial assets*	12	(44,188)	(218,804)
Losses on modification of financial assets*		(65)	(2,529)
Net impairment losses on non-financial assets		1,759	(2,788)
Net provision gains/ (losses)		2,336	(16,855)
Net gains/(loss) from other investment activities		(153)	-
Profit before tax		517,868	367,197
Income tax expense	13	(81,652)	(60,534)
Net profit for the year		436,216	306,663
Attributable to:			
Equity holders of the parent company		421,879	319,875
Non-controlling interests		14,337	(13,212)
Net profit for the year		436,216	306,663

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

Interim condensed consolidated financial statement of Financial Position for the six months period ended 30 June 2021

In RON thousands	30.06.2021	30.06.2020 *Restated
Other comprehensive income, net of tax		
Items that will not be reclassified subsequently to profit or loss		
Revaluation of property, plant and equipment*	735	(770)
Movement in investment revaluation reserve for equity instruments at FVTOCI*	894	(900)
Income tax relating to items that will not be reclassified subsequently to profit or loss*	(284)	250
Total items that will not be reclassified subsequently to profit or loss	1,345	(1,420)
Items that may be reclassified subsequently to profit or loss		
Movement in reserve for debt instruments at FVTOCI:		
Gains/(losses) arising during the period*	92	(2,908)
Reclassification of (gains)/losses included in profit or loss*	(42,291)	(49,656)
Net changes in cash flow hedging reserve:		
Gains/(losses) arising during the period*	7,184	(1,390)
Reclassification of (gains)/losses included in profit or loss*	1,214	(823)
Income tax relating to items that may be reclassified subsequently to profit or loss*	5,408	8,764
Total items that may be reclassified subsequently to profit or loss	(28,393)	(46,013)
Other comprehensive income for the year, net of tax	(27,048)	(47,433)
Total comprehensive income for the year	409,168	259,230
Attributable to:		
Shareholders of parent – company	394,831	272,442
Non-controlling interests	14,337	(13,212)
Other comprehensive income	409,168	259,230

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

The interim condensed consolidated financial statements were approved by the Management Board on 26 July 2021 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer



Mr. Philipp Gamauf
Chief Financial Officer



Interim condensed consolidated financial statement of Financial Position for the six months period ended 30 June 2021

In RON thousands	Note	30.06.2021	31.12.2020
Assets:			
Cash and cash equivalents	14	8,883,486	12,236,808
Financial assets at fair value through profit or loss	15	481,084	555,337
Derivatives assets designated as hedging instruments		1,533	-
Loans and advances to banks at amortized cost		196,704	212,130
Loans and advances to customers at amortized cost	16	26,682,181	25,229,315
Net lease receivables	17	3,642,697	3,515,814
Debt instruments at amortized cost	19	7,853,088	6,148,138
Other financial assets at amortized cost		181,938	143,440
Financial assets at fair value through other comprehensive income	18	2,211,876	3,020,373
Property, plant and equipment		206,549	215,505
Right of use assets		181,871	198,789
Intangible assets		254,118	245,934
Current tax assets		568	858
Deferred tax assets		121,525	119,797
Other assets		113,737	126,302
Total assets		51,012,955	51,968,540
Liabilities:			
Financial liabilities at fair value through profit or loss	15	39,632	73,017
Derivatives liabilities designated as hedging instruments		61,705	81,216
Deposits from banks	20	810,291	595,076
Loans from banks and other financial institutions at amortized cost	21	4,853,599	5,564,667
Deposits from customers	22	34,529,001	35,772,365
Debt securities issued		1,948,227	1,922,036
Other financial liabilities at amortized cost		880,684	518,044
Subordinated liabilities	23	940,239	929,593
Lease liabilities		180,796	196,836
Current tax liabilities		47,090	6,801
Provisions	24	222,888	223,576
Other non-financial liabilities		247,452	243,364
Total liabilities		44,761,604	46,126,591

The accompanying notes form an integral part of these interim condensed consolidated financial statements.
Convenience translation in English of the original Romanian version.

Interim condensed consolidated financial statement of Financial Position for the six months period ended 30 June 2021

In RON thousands	Note	30.06.2021	31.12.2020
Equity			
Share capital		1,177,748	1,177,748
Share premium account		621,680	621,680
Cash flow hedging reserve		(39,387)	(46,441)
Reserve on financial assets at fair value through other comprehensive income		73,212	107,908
Revaluation reserve on property, plant and equipment		13,316	12,722
Other reserves		365,496	325,516
Retained earnings		3,904,091	3,521,959
Total equity for parent company		6,116,156	5,721,092
Non-controlling interest		135,195	120,857
Total equity		6,251,351	5,841,949
Total liabilities and equity		51,012,955	51,968,540

The interim condensed consolidated financial statements were approved by the Management Board on 26 July 2021 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer



Mr. Philipp Gamauf
Chief Financial Officer



Interim condensed consolidated financial statement of Changes in Equity for the six months period ended 30 June 2021

30.06.2021	Group									
in RON thousands	Share capital	Reserve on financial assets at fair value through other comprehensive income	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total	Non-Controlling Interest	Total
Balance at 31 December 2020	1,177,748	107,908		12,722	325,516	621,680	3,521,958	5,721,091	120,858	5,841,949
Comprehensive income for the year										
Net profit for the year	-	-	-	-	-	-	421,880	421,880	14,337	436,217
Other comprehensive income net of tax										
Revaluation of property, plant and equipment, net of tax	-	-	-	594	-	-	-	594	-	594
Net change in fair value of financial assets through other comprehensive income, net of tax	-	(34,696)	-	-	-	-	-	(34,696)	-	(34,696)
Net change in cash flow hedging reserve, net of tax	-	-	7,054	-	-	-	-	7,054	-	7,054
Total other comprehensive income	-	(34,696)	7,054	594	-	-	-	(27,048)	-	(27,048)
Total comprehensive income for the year	-	(34,696)	7,054	594	-	-	421,880	394,832	14,337	409,169
Transfer to other reserves*	-	-	-	-	39,980	-	(39,980)	-	-	-
Other movements	-	-	-	-	-	-	234	234	-	234
Balance at 30 June 2021	1,177,748	73,212	(39,387)	13,316	365,496	621,680	3,904,091	6,116,156	135,195	6,251,351

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

The interim condensed consolidated financial statements were approved by the Management Board on 26 July 2021 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer



Mr. Philipp Gamauf
Chief Financial Officer



The accompanying notes form an integral part of these interim condensed consolidated financial statements.
Convenience translation in English of the original Romanian version.

Interim condensed consolidated financial statement of Changes in Equity for the six months period ended 30 June 2020

30.06.2020 in RON thousands	Group									
	Share capital	Reserve on financial assets at fair value through other comprehensive income	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total	Non-Controlling Interest	Total
Balance at 31 December 2019	1,177,748	20,330	(47,833)	12,682	298,289	621,680	3,050,001	5,132,897	109,894	5,242,791
Comprehensive income for the year										
Net profit for the year	-	-	-	-	-	-	319,875	319,875	(13,212)	306,663
Other comprehensive income net of tax										
Revaluation of property, plant and equipment, net of tax	-	-	-	(664)	-	-	-	(664)	-	(664)
Net change in fair value of financial assets through other comprehensive income, net of tax	-	(44,910)	-	-	-	-	-	(44,910)	-	(44,910)
Net change in cash flow hedging reserve, net of tax	-	-	(1,859)	-	-	-	-	(1,859)	-	(1,859)
Total other comprehensive income	-	(44,910)	(1,859)	(664)	-	-	-	(47,433)	-	(47,433)
Total comprehensive income for the year	-	(44,910)	(1,859)	(664)	-	-	319,875	272,442	(13,212)	259,230
Transfer to other reserves*	-	-	-	-	28,180	-	(28,180)	-	-	-
Other movements	-	-	-	-	-	-	264	264	-	264
Balance at 30 June 2020	1,177,748	(24,580)	(49,692)	12,018	326,469	621,680	3,341,960	5,405,603	96,682	5,502,285

* 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.

The interim condensed consolidated financial statements were approved by the Management Board on 26 July 2021 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer



Mr. Philipp Gamauf
Chief Financial Officer



The accompanying notes form an integral part of these interim condensed consolidated financial statements.
Convenience translation in English of the original Romanian version.

Interim condensed consolidated financial statement of Cash Flows for the six months period ended 30 June 2021

In RON thousands	Note	30.06.2021	30.06.2020 *Restated
Profit for the year before tax	13	517,868	367,197
Adjustments for non-cash items:			
Depreciation and amortization of property, plant and equipment and of intangible assets		78,885	72,995
Net impairment losses on financial assets		92,995	236,200
Fair value (gain)/loss on derivatives and other financial assets held for trading		(6,635)	(3,139)
Other items for which the cash effects are investing or financing		70,151	78,981
Other non-cash items*		90,247	32,387
Operating profit before changes in operating assets and liabilities*		843,511	784,621
Change in operating assets:			
Decrease in financial assets at fair value through profit and loss/other comprehensive income		798,269	3,828,340
Acquisition of debt instruments at amortized cost		(1,641,208)	(4,014,368)
Decrease in loans and advances to banks		14,598	142,767
(Increase)/Decrease in loans and advances to customers		(1,515,960)	369,899
Increase in lease investments		(155,700)	(161,919)
(Increase)/Decrease in other assets		(29,509)	73,912
Change in operating liabilities:			
Increase/(Decrease) in deposits from banks		215,245	(332,770)
Decrease in deposits from customers		(1,447,747)	(1,113,442)
Increase in other liabilities		7,918	362,981
Income tax paid		(37,639)	(34,306)
Net cash used in operating activities*		(2,948,222)	(94,285)
Investing activities			
Proceeds on disposal of property, plant and equipment		200	-
Acquisition of property, plant and equipment and intangible assets		(45,055)	(61,327)
Dividends received		2,312	2,322
Net cash used in investing activities		(42,543)	(59,005)

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

Interim condensed consolidated financial statement of Cash Flows for the six months period ended 30 June 2021

	Note	30.06.2021	30.06.2020 *Restated
Financing activities			
Dividends paid		(91)	(298)
Repayments of loans from financial institutions		(1,074,017)	(1,295,044)
Drawdowns from loans from financial institutions		669,804	696,808
Repayment of the lease liabilities		(33,127)	(30,628)
Net cash used in financing activities		(437,431)	(629,162)
Net decrease in cash and cash equivalents*		(3,428,196)	(782,452)
Cash and cash equivalents at 1 January - gross value		12,242,063	11,698,460
Effect of foreign exchange rate changes*		70,926	78,893
Cash and cash equivalents at 30 June - gross value	14	8,884,793	10,994,901
Impairment allowance		(1,307)	(4,998)
Cash and cash equivalents at 30 June -net value	14	8,883,486	10,989,903

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

	Note	30.06.2021	30.06.2020
Cash flow from operating activities include:			
Interest received		837,211	936,869
Interest paid		(142,457)	(193,042)

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

The interim condensed consolidated financial statements were approved by the Management Board on 26 July 2021 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer



Mr. Philipp Gamauf
Chief Financial Officer



Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

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 interim condensed 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. As Debo Leasing had in its portfolio contracts that expired in May 2021, the company will be liquidated in the near future (most likely during 2021).
- UniCredit Insurance Broker S.R.L. (“UCIB”), having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, intermediates insurance policies related to leasing activities to legal entities and individuals, and became a subsidiary of the Bank beginning with 31 December 2020. The Bank has an indirect controlling interest of 99.98% through UCLC which owns 100% UCIB.

As at 30 June 2021 the Group carried out its activity in Romania through its Head Office located in Bucharest and through its network, having 147 branches (31 December 2020: 148) in Bucharest and in the country.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

2. BASIS OF PREPARATION

a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union, IAS 34 – “Interim Financial Reporting”. These financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2020.

b) Basis of measurement

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

d) Use of estimates and judgements

The preparation of interim condensed consolidated 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 interim condensed consolidated 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	30 June 2021	31 December 2020	Variation
Euro (EUR)	1: RON 4.9267	1: RON 4.8694	1.18%
Dollar USA (USD)	1: RON 4.1425	1: RON 3.9660	4.45%

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 interim condensed consolidated 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 interim condensed consolidated financial statements from the date that control commences until the date that control ceases.

As of 30 June 2021 and 31 December 2020 The Group consists of the Bank and its subsidiaries UCFIN, UCLC, DEBO and UCIB.

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

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 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 and 30 June 2021;
- for Comprehensive Income and Cash Flow statements: revenues and expenses, respectively cash inflows and outflows of UCIB are consolidated starting with 1 January 2021, 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 interim condensed consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described in the Consolidated Financial Statements for the financial year ended 31 December 2020 have been applied consistently over the periods presented in these interim condensed consolidated financial statements and have been consistently applied within the Group.

The Group reclassified certain amounts related to six months' period ended at 30 June 2020 but after publishing the interim condensed consolidated financial statements as at 30 June 2020, 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 58,291 RON thousands for the Group, was split between:
 - "Net gain/(loss) from derecognition of financial assets measured at amortised cost" caption in amount of 8,635 RON thousands;
 - "Net gain/(loss) from derecognition of financial assets measured at FVTOCI" caption in amount of 49,656 RON thousands;
- (ii) "Net impairment losses on financial assets" caption in amount of -221,333 RON thousands, was split between:
 - "Net impairment losses on financial assets" caption in amount of -218,804 RON thousands;
 - "Losses on modification of financial assets" caption in amount of -2,529 RON thousands;
- (iii) "Revaluation of property, plant and equipment (net of deferred tax)" caption in amount of -664 RON thousands and "Net change in fair value of financial assets through other comprehensive income – equity (net of deferred tax)" caption in amount of -756 RON thousands, was split between:
 - "Revaluation of property, plant and equipment" caption in amount of -770 RON thousands;
 - "Movement in investment revaluation reserve for equity instruments at FVTOCI" caption in amount of -900 RON thousands;
 - "Income tax relating to items that will not be reclassified subsequently to profit or loss" caption in amount of 250 RON thousands;
- (iv) "Net change in fair value of financial assets through other comprehensive income – debt instruments (net of deferred tax)" caption in amount of -44,154 RON thousands and "Net changes in cash flow hedging reserve (net of deferred tax)" caption in amount of -1,859 RON thousands, was split between:
 - "Movement in reserve for debt instruments at FVTOCI" - Gains/(losses) arising during the period" caption in amount of -2,908 RON thousands and "Reclassification of (gains)/losses included in profit or loss" caption in amount of -49,656 RON thousands;
 - "Net changes in cash flow hedging reserve" - "Gains/(losses) arising during the period" caption in amount of -1,390 RON thousands and "Reclassification of (gains)/losses included in profit or loss" caption in amount of -823 RON thousands;
 - "Income tax relating to items that may be reclassified subsequently to profit or loss" caption in amount of 8,764 RON thousands;

- **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 32,387 RON thousands, versus the value of 111,280 RON thousands previously presented;
- (ii) The amount of "Operating profit before changes in operating assets and liabilities" caption has been recalculated at value of 784,621 RON thousands as against of value of 863,514 RON thousands previously presented;
- (iii) The amount of "Net cash used in operating activities" caption has been recalculated at value of -94,285 RON thousands, versus the value of -15,392 RON thousands previously presented;

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- (iv) The amount of “Net decrease in cash and cash equivalents” caption has been recalculated at the value of -782,452 RON thousands, versus the value of -703,559 RON thousands previously presented;
- (v) The amount of “Effect of foreign exchange rate changes” caption has been recalculated at value of 78,893 RON thousands, while no value was previously presented.

The Group applied in 2021 the same accounting policies described in the Consolidated and Separate Financial Statements for 31.12.2020. The only update is represented by the implementing, starting with Jun 2021, of Macro Fair Value Hedging in the context of replicating portfolio hedging of non-maturing deposits (the aim of a Macro hedge relationship is to offset changes in fair value of the hedged item included into a generic fixed rate portfolio of liabilities).

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 the EU are effective for the current reporting period:

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

The adoption of amendments to the existing standards has not led to any material changes in the Group’s interim condensed consolidated financial statements.

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

At the date of authorisation of these financial statements none of the amendments to the existing standards / new standards nor interpretations issued by the International Accounting Standards Board (IASB) and not yet effective were adopted by the European Union.

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 interim condensed consolidated 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 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023);
- Amendments to **IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023);

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards and Interpretations (continued)

- Amendments to **IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023);
- Amendments to **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 **IFRS 16 “Leases”** - Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual reporting periods beginning on or after 1 April 2021. Earlier application permitted, including in financial statements not yet authorised for issue at the date the amendment is issued.)
- 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 interim condensed consolidated financial statements of the Group in the period of initial application.

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

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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT

There were no significant changes in the Group's financial risk management policies compared to those presented in the Consolidated and Separate Financial Statements for the financial year ended 31 December 2020.

Credit risk

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 IFN S.A. ("UCLC") and Debo Leasing S.R.L. ("DEBO"), 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, the gross value of loans and respectively the allowance for impairment are presented including IRC.

• Loans and advances to customers, on and off-balance – Assets' Quality

In RON thousands	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
As of 30 June 2021					
Gross exposure	33,022,383	9,431,400	2,092,371	22,108	44,546,154
On balance	19,852,343	6,761,971	1,846,214	22,108	28,460,528
Off balance	13,170,040	2,669,429	246,157	-	16,085,626
Allowance for impairment	(161,743)	(329,337)	(1,467,650)	(3,218)	(1,958,730)
On balance	(150,768)	(289,576)	(1,338,003)	(3,218)	(1,778,347)
Off balance	(10,975)	(39,761)	(129,647)	-	(180,383)
Carrying amount	32,860,640	9,102,063	624,721	18,890	42,587,424
On balance	19,701,575	6,472,395	508,211	18,890	26,682,181
Off balance*	13,159,065	2,629,668	116,510	-	15,905,243
As of 31st of December 2020					
Gross exposure	30,499,910	9,583,400	2,220,730	22,967	42,304,040
On balance	18,020,907	7,086,604	1,924,153	22,967	27,031,664
Off balance	12,479,003	2,496,796	296,577	-	15,272,376
Allowance for impairment	(145,712)	(388,962)	(1,443,133)	(3,519)	(1,977,807)
On balance	(132,275)	(355,093)	(1,314,981)	(3,519)	(1,802,349)
Off balance	(13,437)	(33,869)	(128,152)	-	(175,458)
Carrying amount	30,354,198	9,194,438	777,597	19,448	40,326,233
On balance	17,888,632	6,731,511	609,172	19,448	25,229,315
Off balance*	12,465,566	2,462,927	168,425	-	15,096,918

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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk (“continued”)

Exposure to credit risk („continued”)

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

In RON thousands	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
As of 30 June 2021					
Gross exposure	3,343,296	399,043	345,670	-	4,088,009
On balance	3,180,974	395,032	337,000	-	3,913,006
Off balance	162,322	4,011	8,670	-	175,003
Allowance for impairment	(69,344)	(34,364)	(169,699)	-	(273,407)
On balance	(66,856)	(34,330)	(169,123)	-	(270,309)
Off balance	(2,488)	(34)	(576)	-	(3,098)
Carrying amount	3,273,952	364,679	175,971	-	3,814,602
On balance	3,114,118	360,702	167,877	-	3,642,697
Off balance*	159,834	3,977	8,094	-	171,905
As of 31st of December 2020					
Gross exposure	3,224,802	333,497	339,997	-	3,898,296
On balance	3,134,267	333,132	338,193	-	3,805,592
Off balance	90,535	365	1,804	-	92,704
Allowance for impairment	(69,929)	(45,178)	(175,947)	-	(291,054)
On balance	(68,893)	(45,176)	(175,709)	-	(289,778)
Off balance	(1,036)	(2)	(238)	-	(1,276)
Carrying amount	3,154,873	288,319	164,050	-	3,607,242
On balance	3,065,374	287,956	162,484	-	3,515,814
Off balance*	89,499	363	1,566	-	91,428

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

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 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.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk (“continued”)

Exposure to credit risk („continued”)

30.06.2021					
RON thousands	Total out of which*:	Corporate	SME	Private Individuals	Private banking
Individually significant impaired loans					
Stage 3	1,379,524	1,038,058	236,501	84,949	20,016
Gross amount	1,379,524	1,038,058	236,501	84,949	20,016
Allowance for impairment	(1,108,849)	(819,468)	(192,636)	(77,401)	(19,344)
Carrying amount	270,675	218,590	43,865	7,548	672
Fair value of collateral	194,767	133,852	39,739	19,476	1,700
Property	148,696	101,063	27,757	18,506	1,370
Goods	11,500	7,911	3,589	-	-
Assignment of receivables	11,748	11,480	268	-	-
Other collateral	22,823	13,398	8,125	970	330
Other impaired loans					
Stage 3	466,690	37,621	83,071	345,700	298
Gross amount	466,690	37,621	83,071	345,700	298
Allowance for impairment	(229,152)	(21,801)	(44,940)	(162,255)	(156)
Carrying amount	237,538	15,820	38,131	183,445	142
Fair value of collateral	226,330	23,628	36,496	166,200	6
Property	205,282	18,940	25,804	160,536	2
Goods	10,779	3,959	6,531	289	-
Assignment of receivables	462	460	2	-	-
Other collateral	9,807	269	4,159	5,375	4
Past due but not impaired					
Stage 1	2,461,198	357,292	92,618	2,010,167	1,121
Stage 2	702,849	177,482	86,379	438,893	95
Gross amount	3,164,047	534,774	178,997	2,449,060	1,216
Allowance for impairment	(132,247)	(6,820)	(7,166)	(118,257)	(4)
Carrying amount	3,031,800	527,954	171,831	2,330,803	1,212
Neither past due nor impaired					
Stage 1	17,391,145	10,227,851	2,299,174	4,844,134	19,986
Stage 2	6,059,122	4,511,030	454,863	1,061,560	31,669
Gross amount	23,450,267	14,738,881	2,754,037	5,905,694	51,655
Allowance for impairment	(308,099)	(233,609)	(42,146)	(31,969)	(375)
Carrying Amount	23,142,168	14,505,272	2,711,891	5,873,725	51,280
Total carrying amount	26,682,181	15,267,636	2,965,718	8,395,521	53,306

* Out of the total gross receivables of RON thousands 28,460,528 as at June 30, 2021, there are loans in amount of RON thousands 69,236 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 443,253 as at June 30, 2021 and represent mainly immovable properties, movables assets (equipment and vehicles) and cash collaterals, which can be subject to a real guarantee/mortgage.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk (“continued”)

Exposure to credit risk („continued”)

31.12.2020 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.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk (“continued”)

Exposure to credit risk („continued”)

30.06.2021					
RON thousands	Total out of which:	Corporate	SME	Private Individuals	Private banking
Off balance - Loan commitments					
Stage 1	10,512,857	9,045,170	1,153,488	310,499	3,700
Stage 2	1,702,970	1,485,936	137,551	74,842	4,641
Stage 3	119,186	94,335	21,309	3,323	219
Gross amount	12,335,013	10,625,441	1,312,348	388,664	8,560
Allowance for impairment	(79,742)	(70,846)	(7,035)	(1,860)	(1)
Carrying amount*	12,255,271	10,554,595	1,305,313	386,804	8,559
Off balance - Letters of credit					
Stage 1	115,051	115,045	6	-	-
Stage 2	56,991	56,991	-	-	-
Stage 3	237	237	-	-	-
Gross amount	172,279	172,273	6	-	-
Allowance for impairment	(1,607)	(1,607)	-	-	-
Carrying amount*	170,672	170,666	6	-	-
Off balance - Guarantees issued					
Stage 1	2,542,131	2,494,050	46,942	828	311
Stage 2	909,468	879,997	21,668	2,106	5,697
Stage 3	126,735	118,040	7,897	428	370
Gross amount	3,578,334	3,492,087	76,507	3,362	6,378
Allowance for impairment	(99,034)	(92,836)	(5,802)	(156)	(240)
Carrying amount*	3,479,300	3,399,251	70,705	3,206	6,138
Total carrying amount	15,905,243	14,124,512	1,376,024	390,010	14,697

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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk ("continued")

Exposure to credit risk („continued")

31.12.2020					
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".

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk ("continued")

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.

30.06.2021				
RON thousands	Total out of which*:	Corporate	SME	Private Individuals
Individually significant impaired loans				
Stage 3	230,070	45,911	183,256	903
Gross amount	230,070	45,911	183,256	903
Allowance for impairment	(142,558)	(25,168)	(116,487)	(903)
Carrying amount	87,512	20,743	66,769	-
Fair value of collateral	85,443	20,190	65,253	-
Property	43,779	-	43,779	-
Vehicles and equipment	41,603	20,190	21,413	-
Other collateral	61	-	61	-
Other impaired loans				
Stage 3	106,930	1,201	103,336	2,393
Gross amount	106,930	1,201	103,336	2,393
Allowance for impairment	(26,564)	(381)	(25,249)	(934)
Carrying amount	80,366	820	78,087	1,459
Fair value of collateral	73,324	804	71,208	1,312
Vehicles and equipment	73,259	804	71,143	1,312
Other collateral	65	-	65	-
Past due but not impaired				
Stage 1	71,575	2,342	67,458	1,775
Stage 2	61,263	-	61,176	87
Gross amount	132,838	2,342	128,634	1,862
Allowance for impairment	(1,981)	(15)	(1,945)	(21)
Carrying amount	130,857	2,327	126,689	1,841
Neither past due nor impaired				
Stage 1	3,109,399	202,333	2,830,266	76,800
Stage 2	333,769	665	331,423	1,681
Gross amount	3,443,168	202,998	3,161,689	78,481
Allowance for impairment	(99,206)	(22,470)	(76,183)	(553)
Carrying Amount	3,343,962	180,528	3,085,506	77,928
Total carrying amount	3,642,697	204,418	3,357,051	81,228

* Out of the total gross receivables of RON thousands 3,913,006 as at June 30, 2021, there are lease receivables in amount of RON thousands 25,719 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 70,021 as at June 30, 2021 and they represent Asset Property, Cash Collaterals and Immovable Mortgages.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk (“continued”)

Exposure to credit risk („continued”)

31.12.2020				
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.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk (“continued”)

Exposure to credit risk („continued”)

30.06.2021 RON thousands	Total out of which:	Corporate	SME	Private Individuals
Off balance - Loan commitments				
Stage 1	162,322	42,583	118,898	841
Stage 2	4,011	-	4,011	-
Stage 3	8,670	-	8,670	-
Gross amount	175,003	42,583	131,579	841
Allowance for impairment	(3,098)	(839)	(2,254)	(5)
Carrying amount*	171,905	41,744	129,325	836

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

31.12.2020 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.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk ("continued")

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.

30.06.2021					
RON thousands					
Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	1,550,343	153,864	143	-	1,704,350
Grades 4-6: performing (medium risk)	17,315,757	4,760,401	14,533	-	22,090,691
Grades 7-8 : performing (in observation & substandard)	659,140	1,748,887	14,948	19,236	2,422,975
Grade 8 : impaired	-	-	1,611,046	2,872	1,611,046
Grade 9: impaired	-	-	35,872	-	35,872
Grade 10: impaired	-	-	71,151	-	71,151
Unrated	327,103	98,819	98,521	-	524,443
Total gross amount	19,852,343	6,761,971	1,846,214	22,108	28,460,528
Loss allowance	(150,768)	(289,576)	(1,338,003)	(3,218)	(1,778,347)
Carrying amount	19,701,575	6,472,395	508,211	18,890	26,682,181

31.12.2020					
RON thousands					
Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk ("continued")

Exposure to credit risk („continued")

30.06.2021					
RON thousands					
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)	4,779,438	565,338	(383)	-	5,344,393
Grades 4-6: performing (medium risk)	8,165,952	1,550,772	691	-	9,717,415
Grades 7-8 : performing (in observation & substandard)	161,302	544,963	403	-	706,668
Grade 8 : impaired	-	-	234,682	-	234,682
Grade 9: impaired	-	-	8,151	-	8,151
Grade 10: impaired	-	-	667	-	667
Unrated	63,348	8,356	1,946	-	73,650
Total gross amount	13,170,040	2,669,429	246,157	-	16,085,626
Loss allowance	(10,975)	(39,761)	(129,647)	-	(180,383)
Carrying amount*	13,159,065	2,629,668	116,510	-	15,905,243

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

31.12.2020					
RON thousands					
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)	4,241,584	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.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk (“continued”)

Exposure to credit risk („continued”)

30.06.2021 In RON thousands					
Lease receivables (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	16,448	-	-	-	16,448
Grades 4-6: performing (medium risk)	2,640,920	298,192	-	-	2,939,112
Grades 7-8 : performing (in observation & substandard)	523,606	96,840	-	-	620,446
Grade 8 : impaired	-	-	269,277	-	269,277
Grade 10: impaired	-	-	67,723	-	67,723
Total gross amount	3,180,974	395,032	337,000	-	3,913,006
Loss allowance	(66,856)	(34,330)	(169,123)	-	(270,309)
Carrying amount	3,114,118	360,702	167,877	-	3,642,697

31.12.2020 In RON thousands					
Lease receivables (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-3 : performing (low risk)	13,848	-	-	-	13,848
Grades 4-6: performing (medium risk)	2,304,637	274,368	-	-	2,579,005
Grades 7-8 : performing (in observation & substandard)	815,782	58,764	-	-	874,546
Grade 8 : impaired	-	-	235,749	-	235,749
Grade 10: impaired	-	-	102,444	-	102,444
Total gross amount	3,134,267	333,132	338,193	-	3,805,592
Loss allowance	(68,893)	(45,176)	(175,709)	-	(289,778)
Carrying amount	3,065,374	287,956	162,484	-	3,515,814

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk (“continued”)

Exposure to credit risk („continued”)

30.06.2021					
In RON thousands					
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)	1,674	-	-	-	1,674
Grades 4-6: performing (medium risk)	145,960	3,791	-	-	149,751
Grades 7-8 : performing (in observation & substandard)	14,454	220	-	-	14,674
Grade 8 : impaired	234	-	8,590	-	8,824
Grade 10: impaired	-	-	80	-	80
Total gross amount	162,322	4,011	8,670	-	175,003
Loss allowance	(2,488)	(34)	(576)	-	(3,098)
Carrying amount*	159,834	3,977	8,094	-	171,905

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

31.12.2020					
In RON thousands					
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.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk (“continued”)

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

30.06.2021					
RON thousands					
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	196,772	-	-	-	196,772
Total gross amount	196,772	-	-	-	196,772
Loss allowance	(68)	-	-	-	(68)
Carrying amount	196,704	-	-	-	196,704
Gross amount - off balance	1,932,510	40,618	-	-	1,973,128
Loss allowance - off balance	(156)	(27)	-	-	(183)
Carrying amount - off balance	1,932,354	40,591	-	-	1,972,945

31.12.2020					
RON thousands					
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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk (“continued”)

Exposure to credit risk („continued”)

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

30.06.2021					
RON thousands					
Financial assets at fair value through other comprehensive income	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	2,213,146	-	-	-	2,213,146
Total gross amount	2,213,146	-	-	-	2,213,146
Loss allowance	(1,270)	-	-	-	(1,270)
Carrying amount	2,211,876	-	-	-	2,211,876

31.12.2020					
RON thousands					
Financial assets at fair value through other comprehensive income	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	3,022,925	-	-	-	3,022,925
Total gross amount	3,022,925	-	-	-	3,022,925
Loss allowance	(2,552)	-	-	-	(2,552)
Carrying amount	3,020,373	-	-	-	3,020,373

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

30.06.2021					
RON thousands					
Debt instruments at amortized cost	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	7,855,113	-	-	-	7,855,113
Total gross amount	7,855,113	-	-	-	7,855,113
Loss allowance	(2,025)	-	-	-	(2,025)
Carrying amount	7,853,088	-	-	-	7,853,088

31.12.2020					
RON thousands					
Debt instruments at amortized cost	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI financial assets	Total
Grades 1-8 : performing	6,153,873	-	-	-	6,153,873
Total gross amount	6,153,873	-	-	-	6,153,873
Loss allowance	(5,735)	-	-	-	(5,735)
Carrying amount	6,148,138	-	-	-	6,148,138

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk (“continued”)

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:

Loans to customers at amortised cost - ON balance		30.06.2021	31.12.2020
Private entities (including individuals)		8,858,598	8,592,739
SME	G Commerce - wholesale and retail	1,250,018	1,306,236
	C Manufacturing	532,903	515,541
	A Agriculture - forestry - fisheries	468,790	422,895
	F Construction and civil engineering	221,367	182,684
	H Transport and storage services	455,592	444,495
	Other services	323,934	311,406
Total SME		3,252,604	3,183,257
Corporate	C Manufacturing	4,679,488	4,534,381
	G Commerce - wholesale and retail	4,304,963	3,973,897
	L Real estate	1,734,999	1,751,353
	K Financial and insurance institutions	1,202,601	770,510
	A Agriculture - forestry - fisheries	1,099,661	1,079,336
	Other services	3,327,614	3,146,191
Total Corporate		16,349,326	15,255,668
Total		28,460,528	27,031,664
Allowance for impairment		(1,778,347)	(1,802,349)
Carrying amount		26,682,181	25,229,315

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk ("continued")

Exposure to credit risk („continued")

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

Loans to customers at amortised cost - OFF balance		30.06.2021	31.12.2020
Private entities (including individuals)		406,964	425,371
Loans commitments			
SME	G Commerce - wholesale and retail	766,572	660,458
	C Manufacturing	201,017	178,381
	F Construction and civil engineering	110,021	107,129
	A Agriculture - forestry - fisheries	95,490	107,738
	H Transport and storage services	48,700	53,396
	Other industries	90,548	124,726
Total SME		1,312,348	1,231,828
Corporate	G Commerce - wholesale and retail	2,789,324	2,652,868
	C Manufacturing	2,451,733	2,671,977
	D Production and supply of electricity, gas, steam and air conditioning	1,886,249	1,326,094
	K Financial and insurance institutions	340,984	458,596
	F Construction and civil engineering	712,317	650,704
	Other industries	2,444,833	1,769,691
Total Corporate		10,625,440	9,529,930
Total loans commitments		11,937,788	10,761,758
Letters of credit			
SME	C Manufacturing	6	-
	Other industries	-	136
Total SME		6	136
Corporate	G Commerce - wholesale and retail	147,512	93,037
	C Manufacturing	23,066	12,806
	H Transport and storage services	913	3,195
	F Construction and civil engineering	782	170
Total Corporate		172,273	109,208
Total letters of credit		172,279	109,344
Financial guarantees			
SME	G Commerce - wholesale and retail	24,124	26,937
	F Construction and civil engineering	13,660	13,431
	C Manufacturing	10,871	12,003
	N Administrative and support service activities	5,795	6,551
	A Agriculture - forestry - fisheries	4,501	4,514
	Other industries	17,556	19,163
Total SME		76,507	82,599
Corporate	G Commerce - wholesale and retail	1,155,587	1,195,289
	F Construction and civil engineering	792,706	812,330
	D Production and supply of electricity, gas, steam and air conditioning	522,501	793,680
	C Manufacturing	356,927	235,265
	J Information and communication	172,987	172,330
	Other Industries	491,380	684,410
Total Corporate		3,492,088	3,893,304
Total financial guarantees		3,568,595	3,975,903
TOTAL Off balance sheet exposure for loans to customers		16,085,626	15,272,376
Allowance for impairment		(180,383)	(175,458)
Carrying amount		15,905,243	15,096,918

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

4. RISK MANAGEMENT (continued)

Credit risk (“continued”)

Exposure to credit risk („continued”)

- Concentration of credit risk related to lease receivables

Lease receivables at amortised cost - ON balance		30.06.2021	31.12.2020
Private entities (including individuals)		83,639	84,084
SME	G Commerce - wholesale and retail	589,710	570,378
	F Construction and civil engineering	565,022	497,635
	C Manufacturing	522,376	496,453
	H Transport and storage services	512,161	546,227
	M Professional, scientific and technical activities	229,200	223,107
	Other services	1,158,445	1,070,632
Total SME		3,576,914	3,404,432
Corporate	C Manufacturing	122,088	153,539
	G Commerce - wholesale and retail	58,032	70,880
	H Transport and storage services	46,677	40,516
	J Information and communication	15,619	18,881
	A Agriculture - forestry - fisheries	7,140	13,244
	Other services	2,897	20,016
Total Corporate		252,453	317,076
Total		3,913,006	3,805,592
Allowance for impairment		(270,309)	(289,778)
Carrying amount		3,642,697	3,515,814

Lease receivables at amortised cost - OFF balance		30.06.2021	31.12.2020
Private entities (including individuals)		841	859
Loan commitments			
SME	C Manufacturing	29,489	16,591
	F Construction and civil engineering	23,414	9,977
	H Transport and storage services	19,373	5,442
	G Commerce - wholesale and retail	15,728	6,068
	L Real estate	12,067	10,469
	Other Industries	31,508	29,534
Total SME		131,579	78,081
Corporate	G Commerce - wholesale and retail	31,240	6,205
	C Manufacturing	10,522	7,560
	H Transport and storage services	599	-
	Q Medical and social activities	222	-
Total Corporate		42,583	13,765
Total		175,003	92,705
Allowance for impairment		(3,098)	(1,276)
Carrying amount		171,905	91,429

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

Identification and measurement of impairment - Prospective information for the calculation of value adjustments

Loans and advances to customers, loans and advances to banks and debt instruments 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.

The Group has developed specific models for calculating the expected loss; such models are based on the parameters of Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and on the effective interest rate. In particular:

- the PD 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 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.

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 (31 December 2020: 55% for the baseline scenario, 40% for the negative (pandemic “mild”) scenario and 5% for the positive scenario).

The baseline scenario (“Baseline”) is the main scenario and, indeed, is expected to be the one with the highest likelihood of occurrence and is coherent with the assumptions used in the planning processes. The positive and the negative scenario represent alternative occurrences, either better or worse when compared to the baseline scenario in terms of evolution of the economies of the countries where the Group operates.

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

a) Key sources of estimation uncertainty (continued)

The speed of the roll-out of vaccines and their effectiveness will play a crucial role in shaping the growth trajectory in 2021-23. The above probabilities reflect the assumption that the distribution of vaccines in advanced economies proceeds without major problems, that a sufficiently large share of the population is willing to get their shots, that immunity does not prove short lived and that approved vaccines are able to neutralize possible virus mutations. But we are in uncharted waters, and there is a risk that things might not go as smoothly as expected in regard to one or more of these assumptions. This explains the 40% probability assigned to the negative scenario. The positive scenario envisages that all the negative effects of the COVID-19 crisis evaporate by the end of 2022, when GDP would be back to its pre-pandemic trend level.

In the baseline scenario (55% probability), the economic growth is seen rebounding as the roll-out of vaccines and milder weather allow governments to loosen most of the restrictions. In the US, massive fiscal stimulus provides further impulse to the recovery. As the public health situation improves and confidence returns, we expect households to run down some of the high savings accumulated during the pandemic, thus fuelling a strong rebound in consumer spending, especially for services. Overall, the major economies would be on track for solid growth in 2021 and beyond. Central banks are willing to look through temporary inflation spikes and remain accommodative as fiscal stimulus works its way through the economy. The ECB, which faces a more protracted recovery and weaker inflation than the Fed, is likely to leave policy rates on hold through 2023 and probably beyond, while continuing to deploy asset purchases to maintain yield curves in check. In the eurozone, the pandemic emergency purchase program (PEPP) and TLTRO with very favourable conditions are set to continue into 2022.

In this scenario, GDP growth would rebound in 2021, with growth rates ranging from 2.6% to 5.3% in EU-CEE and the Western Balkans. In Russia and Turkey GDP growth is likely to rebound by 2.9% and 4.7% respectively in 2021. In EU-CEE, this would be followed by strong growth in 2022, also thanks to EU funding for EU members, and a gradual normalization of growth rates starting from 2023.

The probability of “Pandemic” (adverse) scenario is assumed to be 40%. In this scenario, we assume that virus mutation will cause Europe to face a further wave of the pandemic in the second half of 2021. It is also assumed that some sort of herd immunity is only reached towards the end of the three-year forecasting horizon, as a non-small part of the population proves reluctant to get vaccinated. 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. Policy rates remain unchanged both in the US and the eurozone. In the euro area, it is assumed that all the burden of the additional monetary expansion will be on asset purchases, most probably through an increase of the volume of the pandemic purchase program (PEPP) and on longer-term refinancing operations (TLTRO). With its flexibility, the PEPP is the ideal tool to face a combination of negative macro developments and potential risks to the transmission mechanism triggered by sovereign tensions. Favourable conditions for TLTRO are likely to remain in place throughout 2023 to preserve low funding costs for the banking sector.

The growth shock is around 0.5pp on average (simple average) for the region in 2021, around 2pp in 2022 and 1pp in 2023. We assume a higher unemployment rate in all countries compared to the baseline, in particular in 2022 and 2023. Demand weakness leads to a widening of the output gap which, together with lower oil prices, puts downward pressure on inflation, resulting in lower inflation compared to the baseline.

The probability of “Positive” is assumed to be 5%. In this scenario, the roll-out of vaccines (along with new medical treatments) boosts confidence and GDP by more than we project in the baseline scenario. The pace of recovery turns out to be materially stronger as households significantly reduce precautionary savings while firms forcefully resume investment plans that have been put on hold. Driven by pent-up demand, eurozone GDP is back to its pre-pandemic trend line by the end of 2022. Governments progressively scale back their support measures. As new debt issuance slows, there is less need for monetary policy to remain very expansionary. The ECB discontinues the PEPP in March 2022, but retains the APP (Asset Purchase Program) because the increase in inflation occurs from low levels and the central bank wants to make sure that convergence towards its price objective is not just temporary. TLTRO conditions become less generous in the second half of 2022, while policy rates remain unchanged throughout 2023.

The cumulative positive growth shock for the period (simple average) is 1.0pp in 2021, 1.5pp in 2022, and 0.7pp in 2023.

The forecasts in terms of changes in the “Default rate” and in the “Recovery Rate” provided by the Stress Test

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

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.

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 interim condensed consolidated financial statements.

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

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

Entity / Impact RON thousands 30.06.2021	Impact PD up 10%	Impact PD down 10%	Impact LGD down 10%	Impact LGD up 10%
UCL	10,003	(10,558)	(11,114)	10,114
UCFIN	9,814	(9,813)	(19,450)	7,458
UCB	38,741	(38,741)	(51,778)	51,362
Consolidated	58,558	(59,113)	(82,342)	68,934

Entity / Impact RON thousands 31.12.2020	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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

a) Key sources of estimation uncertainty (continued)

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 30 June 2021:

Country	Macroeconomic scenario	Base scenario		
		2021	2022	2023
Romania	Real GDP, yoy % change	5.2	4.7	4.0
Romania	Inflation (CPI) yoy, eop	3.9	2.9	2.5
Romania	Unemployment rate, %	5.5	5.3	5.0
Romania	Short term rate, eop	1.59	1.39	1.44
Romania	Long-term interest rates 10y (%)	3.0	2.9	2.8
Romania	House Price Index, yoy % change	8.0	5.0	5.0

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

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

Sensitivity analysis for assets at fair value through other comprehensive income

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 30 June 2021 on financial assets at fair value through other comprehensive income would vary as follows:

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

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

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

30.06.2021	Market Yield - 10%	Market Yield +10%
In Thousand RON		
Financial assets at fair value through other comprehensive income denominated in RON	17,390	(17,042)
Financial assets at fair value through other comprehensive income denominated in EUR	2,419	(2,385)
Financial assets at fair value through other comprehensive income	19,809	(19,427)

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

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

Financial assets and liabilities classification

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

The classification and measurement of financial assets depends on the results of the SPPI and the business model test. 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.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

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:

30.06.2021 In Thousand RON	Listed*	Unlisted	Total
Debt securities at fair value through other comprehensive income	2,202,908	74	2,202,982
Equity instruments at fair value through other comprehensive income	-	8,894	8,894
Total assets held at fair value through other comprehensive income	2,202,908	8,968	2,211,876

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

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

*) 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.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

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 30 June 2021:

30.06.2021					
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	382,326	50,046	541	432,913	432,913
Derivatives financial instruments designated as hedging instruments	-	1,533	-	1,533	1,533
Total trading assets	382,326	51,579	541	434,446	434,446
Financial assets at fair value through other comprehensive income					
Debt instruments	2,154,571	48,411	-	2,202,982	2,202,982
Equity instruments (minority holdings)	-	-	8,894	8,894	8,894
Total assets at fair value through other comprehensive income	2,154,571	48,411	8,894	2,211,876	2,211,876
Non-transactional financial assets at fair value mandatorily through profit or loss					
VISA Shares	-	24,597	23,574	48,171	48,171
Total assets at fair value through profit or loss	-	24,597	23,574	48,171	48,171
Liabilities designated for trading and for hedging					
Financial liabilities at fair value through profit or loss	-	39,058	574	39,632	39,632
Derivatives financial instruments designated at hedging instruments	-	61,365	-	61,365	61,705
Total liabilities designated for trading and for hedging	-	100,423	574	100,997	101,337

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

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					
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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

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, at the end of the reporting period 30 June 2021:

30.06.2021							
In RON thousands	Balance at 31 December 2020	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Additions	Disposals (-)	Foreign Currency Exchange Effect	Balance at 30 June 2021
Financial assets held for trading	309	(123)	-	3,736	(3,381)	-	541
Financial assets held for trading at fair value through profit or loss	309	(123)	-	3,736	(3,381)	-	541
Non-transactional financial assets at fair value mandatorily through profit or loss	21,036	1,602	-	-	-	936	23,574
VISA Shares	21,036	1,602	-	-	-	936	23,574
Financial assets at fair value through other comprehensive income	8,000	-	894	-	-	-	8,894
Equity instruments (minority holdings)	8,000	-	894	-	-	-	8,894
Total assets	29,345	1,479	894	3,736	(3,381)	936	33,009
Financial liabilities designated for trading	430	(121)	-	4,351	(4,086)	-	574
Derivatives financial instruments	430	(121)	-	4,351	(4,086)	-	574
Total liabilities	430	(121)	-	4,351	(4,086)	-	574

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

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.

30.06.2021						
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	-	8,883,486	-	-	8,883,486	8,883,486
Financial assets at fair value through profit or loss	481,084	-	-	-	481,084	481,084
Loans and advances to banks at amortized cost	-	196,704	-	-	196,704	198,253
Loans and advances to customers at amortized cost	-	26,682,181	-	-	26,682,181	26,520,107
Net lease receivables	-	3,642,697	-	-	3,642,697	3,699,026
Debt instruments at amortized cost	-	7,853,088	-	-	7,853,088	7,677,378
Financial assets at fair value through other comprehensive income	-	-	2,211,876	-	2,211,876	2,211,876
Other financial assets at amortized cost	-	181,938	-	-	181,938	181,938
Total financial assets	481,084	47,440,094	2,211,876	-	50,133,054	49,853,148
Financial liabilities at fair value through profit or loss	39,632	-	-	-	39,632	39,632
Derivatives liabilities designated as hedging instruments	61,216	-	-	489	61,705	61,705
Deposits from banks	-	810,291	-	-	810,291	808,327
Loans from banks and other financial institutions, including subordinated liabilities	-	5,793,954	-	(116)	5,793,838	5,790,228
Debt securities issued	-	1,948,227	-	-	1,948,227	1,948,227
Deposits from customers	-	34,529,001	-	-	34,529,001	34,444,643
Other financial liabilities at amortized cost	-	880,684	-	-	880,684	880,684
Lease liabilities	-	180,796	-	-	180,796	180,796
Total financial liabilities	100,848	44,142,953	-	373	44,244,174	44,154,242

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

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

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

31.12.2020						
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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

7. NET INTEREST INCOME

In RON thousands	30.06.2021	30.06.2020
Interest income		
Interest and similar income arising from:		
Loans and advances to customers*	592,467	690,417
Net Lease receivables	65,660	65,056
Treasury bills and bonds at fair value through other comprehensive income	34,220	116,943
Debt instruments at amortized cost	118,253	12,078
Current accounts and placements with banks	8,656	22,418
Negative interest from financial liabilities	129	44
Total interest income	819,385	906,956
Interest expense		
Interest expense and similar charges arising from:		
Deposits from customers	47,021	111,000
Loans from banks and other financial institutions	71,179	89,066
Deposits from banks	3,108	8,837
Repurchase agreements	21	243
Interest related to the bonds issued	16,480	22,211
Negative interest on financial assets	15,134	14,074
Debt from leasing operations	474	686
Total interest expense	153,417	246,117
Net interest income	665,968	660,839

*) Interest income for the six months period ended at 30 June 2021 includes expenses with interest adjustments related to depreciated financial assets in the total amount of RON thousands 39,833 (30 June 2020: RON thousands 43,022).

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

In RON thousands	30.06.2021	30.06.2020
Fees and commissions income		
Payments transactions	159,414	130,006
Risk participation fee (refer to Note 27)	69	118
Guarantees and letters of credit	15,991	18,296
Loan administration	11,145	7,655
Commissions from other types of financial services	50,987	43,080
Commissions from insurance intermediation	31,255	19,741
Commissions on securities transactions	2,289	2,581
Total fees and commission income	271,150	221,477
Fees and commission expense		
Inter-banking fees	39,736	29,490
Payments transactions	30,549	29,647
Commitments and similar fees	87	397
Intermediary agents fees	2,493	2,514
Other	9,127	5,670
Total fees and commissions expense	81,992	67,718
Net fees and commissions income	189,158	153,759

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

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

In RON thousands	30.06.2021	30.06.2020
Net gains from foreign exchange operations (including FX derivatives)	158,419	158,380
Net gains / (losses) from interest derivatives	(2,263)	(7,977)
Net income / (losses) from trading bonds	5,016	8,010
Net gains / (losses) from other derivatives	679	2,870
Net income from trading for financial instruments held at fair value through profit or loss	161,851	161,283
Net gains from non-transactional financial instruments held at fair value through profit or loss	3,198	346
Net income from financial instruments held at fair value through profit or loss	165,049	161,629

10. PERSONNEL EXPENSES

In RON thousands	30.06.2021	30.06.2020
Wages and salaries	219,585	207,454
Social security charges, unemployment fund and health fund	6,641	6,392
Other (income)/costs	1,841	371
Total	228,067	214,217

The number of employees of the Group at 30 June 2021 was 3,366 (31 December 2020: 3,390).

11. OTHER ADMINISTRATIVE COSTS

in RON thousands	30.06.2021	30.06.2020
Office space expenses (rental, maintenance, other)	16,130	20,192
IT services	59,936	51,728
Other taxes and duties	77,088	54,612
Communication expenses	10,129	11,479
Advertising and promotional expenses	9,837	8,032
Consultancy, legal and other professional services	4,381	4,899
Materials and consumables	3,450	6,696
Personnel training and recruiting	771	1,124
Insurance expenses	2,004	1,638
Other	12,870	8,433
Total	196,596	168,833

12. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

In RON thousands	30.06.2021	30.06.2020
Net provision charges for loans and advances to customers (Note 16)	94,152	213,862
Net provision charges for banks	(4,189)	674
Net provision charges for securities	(4,999)	(595)
Loans written-off	486	529
Net provision charges for lease receivables (Note 17)	4,818	18,598
Recoveries from loans previously written-off	(49,153)	(16,881)
Net provisions charges for other financial instruments	3,073	2,617
Total	44,188	218,804

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

13. INCOME TAX

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

In RON thousands	30.06.2021	30.06.2020
Profit/ (Loss) before tax	517,868	367,197
Direct taxes at 16% (2020: 16%) of taxable profits determined in accordance with Romanian law	(75,626)	(72,606)
Additional tax expenses	(2,629)	143
Deferred tax income	(3,397)	11,929
Income tax	(81,652)	(60,534)
Profit/ (Loss) before tax	517,868	367,197
Taxation at statutory rate of 16%	(82,859)	(58,752)
Non-deductible expenses	(43,346)	(60,773)
Non-taxable revenues	36,352	38,179
Origination and reversal of temporary differences	3,401	13,596
Fiscal credit	7,429	7,216
Additional tax expenses	(2,629)	-
Taxation in the income statement	(81,652)	(60,534)

14. CASH AND CASH EQUIVALENTS

In RON thousands	30.06.2021	31.12.2020
Accounts at NBR	3,471,734	4,554,747
Cash (including cash in ATMs)	1,555,883	1,695,242
Short term Money Market placements	3,740,455	5,915,625
Current balances with other banks	116,721	76,449
Total gross value	8,884,793	12,242,063
Impairment allowance	(1,307)	(5,255)
Total net book value	8,883,486	12,236,808

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 30 June 2021, the minimum reserve level was settled as 8% (31 December 2020: 8%) for liabilities to customers in RON and 5% (31 December 2020: 5%) for liabilities to customers in foreign currency both with residual maturity less than 2 years from the end of reporting period and for liabilities with the residual maturity greater than 2 years with reimbursement, transfer and anticipated withdrawals clause or 0% for all the other liabilities included in the calculation base.

15. ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Financial assets at fair value through profit or loss

In RON thousands	30.06.2021	31.12.2020
Derivatives	49,637	75,768
Investment securities held for trading	383,276	436,331
VISA Shares*	48,171	43,238
Total	481,084	555,337

*) VISA Inc shares class A are classified as "Capital Instruments – Financial assets at fair value through profit and loss" and VISA Inc shares class C are classified as "Debt Instruments – Financial assets at fair value through profit and loss".

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

15. ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(i) Financial assets at fair value through profit or loss (continued)

In RON thousands	30.06.2021	31.12.2020
Equity instruments (Class A)	24,597	22,202
Debt instruments (Class C)	23,574	21,036
Total VISA Shares	48,171	43,238

(ii) Derivative assets/ liabilities

Financial assets and liabilities at fair value through profit or loss at 30 June 2021 are summarized as follows:

In RON thousands	30.06.2021		
	Notional amount	Present value	
		Assets	Liabilities
Foreign currency Derivatives			
Forward contracts	5,858,242	25,811	8,670
Purchased options	150,625	472	6
Sold options	150,625	-	823
Total foreign currency derivatives	6,159,492	26,283	9,499
Interest rates derivatives			
Interest Rate Swaps	2,440,785	17,965	24,311
Purchased options	509,193	5,325	5,358
Sold options	509,193	-	400
Total interest rate derivatives	3,459,171	23,290	30,069
Other derivatives on purchased merchandise	1,084	64	-
Other derivatives on sold merchandise	1,084	-	64
Total derivatives - merchandise	2,168	64	64
Total	9,620,831	49,637	39,632

Financial assets and liabilities at fair value through profit or loss at 31 December 2020 are summarized as follows:

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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

16. 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:

in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	30.06.2021
Mortgages	6,177,536	305,991	-	6,483,527
Personal loans and car loans	142,558	11,871	-	154,429
Credit cards and overdraft	2,066,534	132,776	-	2,199,310
Corporate loans	15,489,985	889,015	22,108	16,379,000
SME loans	2,088,201	255,440	-	2,343,641
Factoring, Discounting, Forfaiting	649,500	251,121	-	900,621
Loans and advances to customers before provisions	26,614,314	1,846,214	22,108	28,460,528
Less provision for impairment losses on loans	(440,344)	(1,338,003)	(3,218)	(1,778,347)
Net loans and advances to customers	26,173,970	508,211	18,890	26,682,181

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

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

in RON thousands	30.06.2021	30.06.2020
Balance at the 31st of December	1,802,349	1,619,046
Net impairment charge for the period (Note 12)	94,152	213,862
Foreign currency exchange effect	14,714	11,213
Release of allowances for impairment of loans written-off and loans sold	(144,287)	(153,719)
Other adjustments	11,419	26,095
Final balance at 30 June	1,778,347	1,716,497

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

17. 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:

in RON thousands	Total, of which	30.06.2021		
		Stage 1	Stage 2	Stage 3
Lease receivables up to one year, gross	1,472,991	1,185,086	132,298	155,607
Lease receivables 1-2 years, gross	1,067,163	902,929	99,821	64,413
Lease receivables 2-3 years, gross	772,986	633,247	94,510	45,229
Lease receivables 3-4 years, gross	443,090	381,361	28,508	33,221
Lease receivables 4-5 years, gross	190,153	162,715	14,621	12,817
Lease receivables over 5 years, gross	213,298	90,815	62,900	59,583
Total contractual undiscounted lease payments receivable	4,159,681	3,356,153	432,658	370,870
Unearned finance income (future interest)	(246,675)	(175,179)	(37,626)	(33,870)
Discounted unguaranteed residual value	-	-	-	-
Total gross lease investment net of future interest and unguaranteed residual value	3,913,006	3,180,974	395,032	337,000
Impairment allowance for lease receivables	(270,309)	(66,856)	(34,330)	(169,123)
Total net lease investment	3,642,697	3,114,118	360,702	167,877

in RON thousands	Total, of which	31.12.2020		
		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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

17. NET FINANCIAL LEASE RECEIVABLES (continued)

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

in RON thousands	30.06.2021	30.06.2020
Balance at the 31st of December	289,778	277,238
Net impairment charge for the period (Note 12)	4,818	18,598
Foreign currency exchange effect	236	3,245
Release of allowances for impairment of loans written-off and loans sold	(23,351)	(13,437)
Unwinding effect on provisions	(1,172)	-
Balance at 30 June	270,309	285,644

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

in RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	30.06.2021
Leasing receivables - real estate assets financed	336,424	75,305	-	411,729
Other leasing receivables - legal entities and retail	3,239,582	261,695	-	3,501,277
Leasing receivables before provisions	3,576,006	337,000	-	3,913,006
Less impairment allowance for lease receivables	(101,186)	(169,123)	-	(270,309)
Net lease receivables	3,474,820	167,877	-	3,642,697

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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

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

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

in RON thousands	30.06.2021	31.12.2020
Investment securities held at fair value through other comprehensive income	2,202,982	3,012,373
Equity investments (minority holdings)	8,894	8,000
Total	2,211,876	3,020,373

Investment securities held at fair value through other comprehensive income

As at 30 June 2021, the Group included in investment securities held at fair value through other comprehensive income bonds, Romanian Government T-bills, bonds issued by the municipality of Bucharest and bonds issued by the Ministry of Public Finance in amount of RON thousands 2,202,982 (31 December 2020 RON thousands 3,012,373).

As at 30 June 2021, the Group held no pledged investment securities at fair value through other comprehensive income (31 December 2020: RON thousands 24,044).

The Group transferred to profit or loss during 2021 an amount of RON thousands 42,291 (30 June 2020: RON thousands 49,656) 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 30 June 2021 and 31 December 2020:

30.06.2021 In RON thousands	Nature of business	% Interest held	Fair value
UniCredit Leasing Fleet Management	Operational leasing	9.99%	2,346
Transfond SA	Other financial services	8.04%	4,781
Biroul de Credit SA	Financial services	6.80%	1,230
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	537
Total			8,894

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

The above mentioned companies are incorporated in Romania.

19. FINANCIAL ASSETS (DEBT INSTRUMENTS) AT AMORTIZED COST

As at 30 June 2021, the Group and the Bank held debt instruments at amortized cost representing bonds and T-bills issued by Romanian Government in amount of RON thousands 7,853,088 (31 December 2020: RON thousands 6,148,138).

As at 30 June 2021, the debt instruments at amortized cost are pledged in amount of RON thousands 528,458 (31 December 2020: RON thousands 553,516).

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

20. DEPOSITS FROM BANKS

In RON thousands	30.06.2021	31.12.2020
Term deposits	190,168	242,942
Sight deposits	620,123	352,134
Total	810,291	595,076

21. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

In RON thousands	30.06.2021	31.12.2020
Commercial Banks	3,480,182	4,201,593
Multilateral development banks	1,175,037	727,557
International financial institutions	198,380	635,517
Total	4,853,599	5,564,667

As at 30 June 2021, the final maturity of loans varies from July 2022 to November 2025.

UniCredit Consumer Financing IFN SA made during the year 2021 withdrawals from a facility approved in 2020 by the European Bank for Reconstruction and Development and the International Cooperation and Development Fund from Taiwan in the total amount of RON 72.6 million with a maturity of 4.5 years. The funds were withdrawn in order to finance investments projects aimed at energy efficiency measures for residential buildings. This product is intended for individuals through the product "Green Credit".

UniCredit Leasing Corporation IFN made during the year 2021 withdrawals in the total amount of EUR 27.5 million due in 2025 from a facility approved in 2020 by the International Finance Corporation. The funds were withdrawn for the purpose of granting leasing loans to the SME customer segment.

UniCredit Bank did not make during the year 2021 any withdrawals.

22. DEPOSITS FROM CUSTOMERS

In RON thousands	30.06.2021	31.12.2020
Term deposits	7,097,823	8,215,363
Payable on demand	26,641,656	26,658,000
Collateral deposits	789,259	898,740
Certificates of deposits	263	262
Total	34,529,001	35,772,365

23. SUBORDINATED LIABILITIES

In RON thousands	30.06.2021	31.12.2020
UniCredit SPA	831,852	822,466
UniCredit Bank Austria AG	108,387	107,127
Total	940,239	929,593

As of 30 June 2021, the following agreements were in place:

- subordinated debt from UniCredit SPA, Italy, in amount of in eq. RON thousands 238,945 (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 591,204 thousands (EUR thousands 120,000), with maturity in December 2027, beneficiary UniCredit Bank S.A.;
- subordinated debt from UniCredit Bank Austria AG, in amount of in eq. RON thousands 108,387 (EUR thousands 22,000), with maturity in July 2024, beneficiary Unicredit Leasing Corporation IFN S.A.;

Interest accrued amounts to eq. RON thousands 1,703 (EUR thousands 346).

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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

24. PROVISIONS

In RON thousands	30.06.2021	31.12.2020
Provision for financial guarantees	99,218	106,322
Provision for legal disputes	16,875	23,931
Provision for off-balance commitments	84,456	70,613
Other provisions	22,339	22,710
Total	222,888	223,576

The movements in provisions during the year were as follows:

In RON thousands	30.06.2021	30.06.2020
Balance at 31 December	223,576	240,959
Net expense/(release) with provision for financial guarantees and off-balance commitments	5,341	14,173
Net expense/(release) with provision for legal disputes	(7,246)	494
Net expense/(release) with other provisions	(431)	2,188
FX effect	1,648	5,687
Balance at 30 June	222,888	263,501

25. ISSUED CAPITAL

The statutory share capital of the Bank as at 30 June 2021, is represented by 48,948,331 ordinary shares (31 December 2020: 48.948.331 ordinary shares) having a face value of RON 9.30 each and a share premium of RON 75.93 per share. The total value of the share premium is RON thousands 621,680.

The shareholders of the Bank are as follows:

	30.06.2021	31.12.2020
	%	%
UniCredit SpA*)	98.6298	98.6298
Other shareholders	1.3702	1.3702
Total	100	100

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

The share capital comprises of the following:

	30.06.2021	31.12.2020
Statutory share capital	455,219	455,219
Effect of hyperinflation – IAS 29	722,529	722,529
Share capital under IFRS	1,177,748	1,177,748

26. 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:

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

26. RELATED PARTY TRANSACTIONS (continued)

In RON thousands	30.06.2021		31.12.2020	
	Parent Company	Other related entities	Parent Company	Other related entities
Derivative assets at fair value through profit or loss	11,940	5,458	16,445	10,306
Current accounts and deposits at banks	3,694,459	41,710	5,844,315	30,394
Loans and advances to banks	22,102	70,007	21,985	2,997
Loans and advances to customers	-	30,360	-	23,054
Other assets	17,122	18,000	10,754	23,528
Outstanding receivables	3,745,623	165,535	5,893,499	90,279
Derivative liabilities at fair value through profit or loss	13,322	21,489	17,578	24,632
Derivatives liabilities designated as hedging instruments	12,055	49,310	20,466	60,749
Current accounts	56,119	505,144	13,378	275,492
Deposit attracted	7,942	170,630	696	78,395
Loans received	2,627,647	607,682	3,256,835	659,508
Subordinated liabilities	831,851	108,387	822,466	107,127
Other liabilities	6,207	37,868	4,474	3,088
Outstanding payables	3,555,143	1,500,510	4,135,893	1,208,991
Commitments	174,730	452,150	159,367	413,952

In RON thousands	30.06.2021		30.06.2020	
	Parent Company	Other related entities	Parent Company	Other related entities
Interest income	5	334	150	275
Interest expense	(68,759)	(16,262)	(86,882)	(33,179)
Fee and commission income	2,648	4,122	513	11,873
Fee and commission expense	(34)	(514)	(75)	(1,942)
Other operating income	-	1,600	-	188
Operating expenses	(831)	(26,110)	(608)	(25,298)
Net expense	(66,971)	(36,830)	(86,902)	(48,083)

Transactions with key management personnel

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

In RON thousands	30.06.2021	31.12.2020
Loans	12,080	9,270
Current accounts and deposits	21,384	17,681

In RON thousands	30.06.2021	30.06.2020
Interest and similar income	82	115
Interest expenses and similar charges	(47)	(61)

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.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

27. COMMITMENTS AND CONTINGENCIES

i) Off-balance-sheet commitments

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

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

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

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

In RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	30.06.2021
Loan commitments	12,215,827	119,186	-	12,335,013
committed	2,437,599	18,789	-	2,456,388
uncommitted	9,778,228	100,397	-	9,878,625
Letters of credit	172,042	237	-	172,279
Guarantees issued	3,451,599	126,735	-	3,578,334
Gross amount	15,839,468	246,158	-	16,085,626
Allowance for impairment - Loan commitments	(21,152)	(58,590)	-	(79,742)
Allowance for impairment - Letters of credit	(1,520)	(87)	-	(1,607)
Allowance for impairment - Guarantees issued	(28,064)	(70,970)	-	(99,034)
Total loss allowance	(50,736)	(129,647)	-	(180,383)
Carrying amount	15,788,732	116,511	-	15,905,243

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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

27. COMMITMENTS AND CONTINGENCIES (continued)

i) Off-balance-sheet commitments (continued)

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

In RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	30.06.2021
Loan commitments	166,333	8,670	-	175,003
committed	166,333	8,670	-	175,003
Gross amount	166,333	8,670	-	175,003
Allowance for impairment - Loan commitments	(2,522)	(576)	-	(3,098)
Total loss allowance	(2,522)	(576)	-	(3,098)
Carrying amount	163,811	8,094	-	171,905

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

The Bank acts as a security agent, payment agent and hedging agent for a series of loan contracts between UniCredit Bank SpA and other entities within UniCredit Group as lender and Romanian companies as borrowers. For each of these contracts there is a risk participation agreement by which the Bank is obliged to indemnify UniCredit SpA or the other entities within UniCredit Group. The total amount of such risk participation agreements in force as at 30 June 2021 is EUR 19,896,405 (31 December 2020: EUR 23,343,438).

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

i) Off-balance-sheet commitments (continued)

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 30 June 2021, the Group was involved in several litigations (as a defendant) for which, based on legal advice, has assessed that a provision amounting to RON thousands 16,875 (31 December 2020: RON thousands 23,931) is necessary to be booked.

28. OPERATING SEGMENTS

The segment report format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

28. OPERATING SEGMENTS (continued)

Segment reporting on Group's interim condensed consolidated statement of comprehensive income as of 30 June 2021:

30.06.2021 In RON thousands	CIB	PB	Leasing	Retail	Other	Total
Net interest income	286,156	3,031	60,272	250,474	66,035	665,968
Net fee and commission income	77,674	1,517	30,300	76,477	3,190	189,158
Net income from trading and other financial instruments which are not at fair value through profit or loss	171,725	1,965	-	28,867	4,407	206,964
FX Gains/ (Losses)	4,082	-	10,626	8	-	14,716
Dividend income	-	-	-	-	2,229	2,229
Other operating income	838	(14,259)	3,564	19,693	(2,901)	6,935
Operating income	540,475	(7,746)	104,762	375,519	72,960	1,085,970
Operating expenses	(207,230)	8,569	(45,158)	(278,561)	(5,410)	(527,790)
Net operating income	333,245	823	59,604	96,958	67,550	558,180
Net impairment losses on financial assets	73,859	(5,559)	881	(112,716)	(653)	(44,188)
Losses on modifications of financial assets	-	-	-	(65)	-	(65)
Net provision losses	-	-	5,867	893	(4,424)	2,336
Net impairment losses on non-financial assets	-	-	(153)	-	1,759	1,606
Profit before taxation	407,104	(4,736)	66,199	(14,930)	64,232	517,869
Income tax	(65,137)	758	(13,374)	823	(4,722)	(81,652)
Net profit for the year	341,967	(3,978)	52,825	(14,107)	59,510	436,217

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

28. OPERATING SEGMENTS (continued)

Segment reporting on Group's interim condensed consolidated statement of comprehensive income as of 30 June 2020:

30.06.2020						
In RON thousands	CIB	PB	Leasing	Retail	Other	Total
Net interest income	283,153	3,648	59,382	272,080	42,576	660,839
Net fee and commission income	69,549	1,494	17,077	64,123	1,516	153,759
Net income from trading and other financial instruments which are not at fair value through profit or loss	173,136	1,817	-	28,458	16,946	220,357
FX Gains/ (Losses)	25,211	-	4,326	(80)	(27)	29,430
Dividend income	-	-	-	-	1,972	1,972
Other operating income	844	3,168	7,734	1,433	(1,463)	11,716
Operating income	551,893	10,127	88,519	366,014	61,520	1,078,073
Operating expenses	(179,910)	(12,616)	(31,432)	(254,333)	8,391	(469,900)
Net operating income	371,983	(2,489)	57,087	111,681	69,911	608,173
Net impairment losses on financial assets	(46,054)	(731)	(32,068)	(138,383)	(1,568)	(218,804)
Losses on modifications of financial assets	-	-	-	(2,529)	-	(2,529)
Net provision losses	-	-	4,306	(755)	(20,406)	(16,855)
Net impairment losses on non-financial assets	-	-	-	-	(2,788)	(2,788)
Profit before taxation	325,929	(3,220)	29,325	(29,986)	45,149	367,197
Income tax	(52,149)	515	(5,950)	(1,346)	(1,604)	(60,534)
Net profit for the year	273,780	(2,705)	23,375	(31,332)	43,545	306,663

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

28. OPERATING SEGMENTS (continued)

Segment reporting on Group's interim condensed consolidated statement of financial position as of 30 June 2021

30.06.2021 In RON thousands	CIB	PB	Leasing	Retail	Other	Total
Total assets	16,096,089	53,447	4,989,903	10,580,324	19,293,192	51,012,955
Total liabilities	18,485,273	2,157,911	4,510,553	14,198,486	5,409,381	44,761,604
Total equity	-	-	-	-	6,251,351	6,251,351
Total liabilities and equity	18,485,273	2,157,911	4,510,553	14,198,486	11,660,732	51,012,955

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

31.12.2020 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

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

29. COVID impact

The below chapter takes into account the recommendations of European Securities and Markets Authority's ("ESMA") Public Statement "Implications of the COVID-19 outbreak on the half-yearly financial reports" dated 20 May 2020, related to the preparation of the interim financial reports in order to ensure that they provide comparable, relevant, reliable, information and an adequate level of disclosure and transparency to market participants.

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

During 2020 and in the first half of 2021, the Board of Directors of the European Central Bank (ECB) has decided a number of measures to ensure that its directly supervised banks can continue to fulfil their role in funding the real economy given the economic effects of the Covid-19.

As well, the European Banking Authority (EBA) issued several statements to explain a number of interpretative aspects on the functioning of the prudential framework in relation to the classification of loans in default, the identification of forbore 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.

During 2020, 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, as is detailed in the transparency report published on the Bank's website in the Financial Reports section.

In 2021 the NBR additionally took the following measures:

- After cut the monetary policy rate by one percentage point (pp) in total during 2020 year, the NBR completed the relaxation cycle in January 2021 by a last cut with 0.25 pp to 1.25%;
- As result of decrease of uncertainties regarding economic and financial developments, the NBR Board of Directors announced in March that it approved the calendar of meetings on monetary policy issues for 2021, after it was suspended during the previous year, and monetary policy meetings were held whenever necessary.

29.2. Measures taken by the Romanian State (updates in 2021)

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

On 30 March 2020 the Government adopted the Emergency Ordinance 37/2020 which requiring banks to provide moratorium to all customers impacted by Covid-19. Application Norms were entered into force on 6 April 2020 and it covers a maximum period of 9 months of payment postponement, upon request from customers, but not later than 31 December 2020. According to the last Government Emergency Ordinance (OUG 227/2020), the clients can postpone their reimbursements up to 31 March 2021. In order to access this facility, debtors must declare on their own responsibility that they have registered a decrease in income or cash collected by at least 25% in the last 3 months prior to requesting the suspension of payment obligations by reference to the similar period of 2019/2020.

The table below summarizes the impact from implementing the EGO 37/2020, as of 30 June 2021 and contains the total amounts due and postponed for repayment until 30 June 2021:

In RON thousands	Total suspended instalments 30.06.2021	Total suspended instalments 31.12.2020
Households, out of which:	2,755	74,400
Consumer loans	1,780	41,069
Mortgages	975	33,331
Legal entities (*), out of which,	15,075	876,153
SME Loans	15,075	380,095
Other Loans	-	496,058
Total	17,830	950,553

(*) Includes also "bullet" reimbursable amounts, without repayment schedule, related to revolving facilities in the total amount of RON thousands 8,604 (31 December 2020 RON thousands 305,405).

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

29. COVID IMPACT (continued)

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

After a year 2020 with difficult market conditions in the context of the pandemic, in which the **Bank** had a very prudent risk approach, in first half of 2021 the lending accelerated, both in the Companies segment and in the Individuals segment, through newly financed volumes higher than the similar period of last year. Operating income was over the first half of 2020, supported by commission income and net interest income due to the increase in trade volumes. In the first six months of 2021, the cost of credit risk improved due to the quality of the loan portfolio, significant recoveries and the resumption of payments from customers who benefited from their suspension in the context of the pandemic while the non-performing loans ratio decreased gradually.

Regarding **UCLC**, Covid-19 the negative impact of COVID-19 gradually decreased in the first half of 2021. The newly financed volumes signed are 26% above the previous year, the suspension requests decreased considerably compared to 2020, thus the portfolio is almost in line with the previous year. Interest income was higher than the previous year, as were other types of operating income, contributing to a higher Gross Operating Profit than the previous year and the budgetary estimates.

In the context of Covid-19, **UCFIN** has taken a series of measures to protect its net assets and ensure the continuity of the lending activity in the future period. These measures (taken during 2020 and continued in 2021) implied new business calibration with credit risk policies assumed during the Covid-19 outbreak, leverage on UCB banking products (i.e. approving new customers only if their monthly income is cashed in the accounts opened with the UCB) and increased attention to debt collection area.

The Group has a limited estimate of the impact of Covid-19 on its future financial position due to significant uncertainties, but has analyzed several scenarios and considers that the assessment of the business continuity principle is appropriate and there is no risk in this regard over the next 12 months.

Liquidity & solvency position

During 2021 the Group continues regularly to assesses the impact of the Covid-19 outbreak in its business, risk profile and prudential and performance indicators. In this sense, the Group evaluates its performance based on stress testing scenarios on key performance and prudence indicators, strict monitoring of position and liquidity indicators (mainly liquidity coverage rate - "LCR" and liquidity quick ratio), monitoring the evolution of government interest rates due to the high level of market volatility and its impact on the capital base and monitoring the simulations of solvency indicators. The Group stress test results are comfortable; both in terms of solvency and in terms of liquidity UniCredit Romania Group expects to maintain a sound position as compared to regulatory minimum ratios.

Liquidity indicators, calculated according to Regulation 575/2013, are comfortably above the minimum regulatory requirements, as depicted in the tables below, and the Group estimates that it will remain above 100% also for the future:

Ratio	30 June 2020	30 September 2020	31 December 2020	31 March 2021	30 June 2021
LCR	177.73%	189.34%	181.32%	159.20%	154.68%
NSFR*	173.30%	171.41%	175.68%	165.40%	n/a*

* Net Stable Funding Ratio

The value of the NSFR indicator for June 30, 2021 will be established in August 2021, after the date of approval of the Condensed interim consolidated financial statements for the period of six months ended on 30.06.2021.

Notes to the interim condensed consolidated financial statements for the six months period ended 30 June 2021

29. COVID IMPACT (continued)

29.3 Financial impact of Covid-19 outbreak on the financial & prudential position of the Group (continued)

Solvency

During 2021 the Group it continued measures for capital preservation 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 2020 did not take place, so the entire consolidated profit (RON 493 million) was kept in own funds;
- Periodic simulations at consolidated level by using stress testing methodologies regarding the increase of the exchange rate, the increase of the interest rate and the increase of the non-repayment probabilities.

30. 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 26 July 2021 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer



Mr. Philipp Gamauf
Chief Financial Officer



