One Bank, One Team, One UniCredit.

Capital and balance sheet management
Transform
Enhanced service model
Ethics and Respect
Team 23
Compliance
Grow and strengthen client franchise
Process optimisation
Sustainable results
Sustainability
Paperless bank
Growth engines
Customer experience
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"Go-to" bank for SMEs
"Do the right thing!"

30 June 2020

Interim Condensed Consolidated Financial Statements

prepared in accordance with International Financial Reporting Standards
as endorsed by European Union IAS 34 "Interim Financial Reporting"

Banking that matters. | UniCredit Bank

UniCredit Bank S.A.

Interim Condensed Consolidated
Financial Statements
30 June 2020

prepared in accordance with International Financial
Reporting Standards as endorsed by European Union
IAS 34 "Interim Financial Reporting"

Contents

Deloitte.

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

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

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. and Debo Leasing S.R.L. as of 30 June 2020 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 Director

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

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

On behalf of:

DELOITTE AUDIT SRL

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

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
August 3, 2020

Interim condensed consolidated financial statement of Comprehensive income for the six months period ended 30 June 2020

In RON thousands	Note	30.06.2020	30.06.2019* Restated
Interest income		906,956	913,011
Interest expense		(246,117)	(279,969)
Net interest income	7	**660,839**	**633,042**
Fee and commission income		221,477	212,881
Fee and commission expense		(67,718)	(61,948)
Net fee and commission income	8	**153,759**	**150,933**
Net income from instruments at fair value through profit and loss	9	161,629	183,788
FX Gains/ (Losses)		29,430	57,353
Fair value adjustments in hedge accounting		437	3,405
Net income on disposal of financial assets and liabilities which are not at fair value through profit or loss		58,291	24,162
Dividends incomes		1,972	1,971
Other operating income		11,716	5,464
Operating income		**1,078,073**	**1,060,118**
Personnel expenses	10	(214,217)	(206,067)
Depreciation and impairment of tangible assets		(49,784)	(46,274)
Amortization and impairment of intangible assets		(23,211)	(27,214)
Other administrative costs	11	(168,833)	(174,424)
Other operating costs		(13,855)	(10,488)
Operating expenses		**(469,900)**	**(464,467)**
Net operating income		**608,173**	**595,651**
Net impairment losses on financial assets	12	(221,333)	(162,748)
Net impairment losses on non-financial assets		(2,788)	-
Net provision losses*		(16,855)	(6)
Profit before taxation*		**367,197**	**432,897**
Income tax*	13	(60,534)	(80,717)
Net profit for the year		**306,663**	**352,180**
Attributable to:			
Equity holders of the parent company		319,875	345,696
Non-controlling interests		(13,212)	6,484
Net profit for the year		**306,663**	**352,180**

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

Interim condensed consolidated financial statement of Comprehensive income for the six months period ended 30 June 2020

In RON thousands	30.06.2020	30.06.2019
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Revaluation of property, plant and equipment (net of deferred tax)	(664)	21
Net change in fair value of financial assets through other comprehensive income – equity (net of deferred tax)	(756)	5
Total items that will not be reclassified to profit or loss	**(1,420)**	**26**
Items that may be reclassified to profit or loss		
Net change in fair value of financial assets through other comprehensive income – debt instruments (net of deferred tax)	(44,154)	77,074
Net changes in cash flow hedging reserve (net of deferred tax)	(1,859)	(7,099)
Total items that may be reclassified to profit or loss	**(46,013)**	**69,975**
Other comprehensive income for the year, net of tax	**(47,433)**	**70,001**
Total comprehensive income	**259,230**	**422,181**
Attributable to:		
Shareholders of parent – company	272,442	415,697
Non-controlling interests	(13,212)	6,484
Other comprehensive income	**259,230**	**422,181**

The interim condensed consolidated financial statements were approved by the Management Board on 28 July 2020 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 2020

In RON thousands	Note	30.06.2020	31.12.2019
Assets:			
Cash and cash equivalents	14	10,989,903	11,693,894
Financial assets at fair value through profit or loss	15	519,808	267,990
Derivatives assets designated as hedging instruments		-	-
Loans and advances to customers at amortized cost	16	25,544,328	26,013,805
Net lease receivables	17	3,460,570	3,323,516
Debt instruments at amortized cost	19	4,093,695	-
Placements with banks at amortized cost		429,249	572,567
Other financial assets at amortized cost		114,203	142,810
Financial assets at fair value through other comprehensive income	18	4,406,388	8,614,640
Property, plant and equipment		203,525	200,368
Right of use assets		204,541	174,235
Intangible assets		215,265	196,284
Current tax assets		-	2,848
Deferred tax assets		153,410	132,466
Other assets		133,953	191,185
Non-current assets and disposal groups classified as held for sale		-	-
Total assets		**50,468,838**	**51,526,608**
Liabilities:			
Financial liabilities at fair value through profit or loss	15	90,573	73,969
Derivatives liabilities designated as hedging instruments		119,960	114,852
Deposits from banks	20	1,333,922	1,666,287
Loans from banks and other financial institutions at amortized cost	21	5,924,164	6,483,236
Deposits from customers	22	32,982,658	33,938,950
Debt securities issued		2,071,740	2,044,046
Other financial liabilities at amortized cost		730,530	391,071
Subordinated liabilities	23	924,612	912,449
Lease liabilities		197,641	163,898
Current tax liabilities		38,007	2,699
Provisions	24	263,501	240,959
Other non-financial liabilities		289,245	251,401
Total liabilities		**44,966,553**	**46,283,817**

Interim condensed consolidated financial statement of Financial Position for the six months period ended 30 June 2020

In RON thousands	Note	30.06.2020	31.12.2019
Equity			
Share capital	25	1,177,748	1,177,748
Share premium		621,680	621,680
Cash flow hedging reserve		(49,692)	(47,833)
Reserve on financial assets at fair value through other comprehensive income		(24,580)	20,330
Revaluation reserve on property, plant and equipment		12,018	12,682
Other reserves		326,469	298,289
Retained earnings		3,341,960	3,050,001
Total equity for parent company		**5,405,603**	**5,132,897**
Non-controlling interest		96,682	109,894
Total equity		**5,502,285**	**5,242,791**
Total liabilities and equity		**50,468,838**	**51,526,608**

The interim condensed consolidated financial statements were approved by the Management Board on 28 July 2020 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

30.06.2020										
In RON thousands	Share capital	Reserve on financial assets at fair value through other comprehensive income	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total	Non-Controlling Interest	Total
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										
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)
Transfer to other reserves*	-	-	-	-	28,180	-	(28,180)	-	-	-
Total Other comprehensive income	**-**	**(44,910)**	**(1,859)**	**(664)**	**28,180**	**-**	**(28,180)**	**(47,433)**	**-**	**(47,433)**
Total comprehensive income	**-**	**(44,910)**	**(1,859)**	**(664)**	**28,180**	**-**	**291,695**	**272,442**	**(13,212)**	**259,230**
Other changes	-	-	-	-	-	-	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 28 July 2020 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

30.06.2019										
In RON thousands	Share capital	Reserve on financial assets at fair value through other comprehensive income	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total	Non-Controlling Interest	Total
Balance at 31 December 2018	**1,177,748**	**(88,570)**	**(45,054)**	**9,819**	**271,031**	**621,680**	**2,794,727**	**4,741,381**	**115,803**	**4,857,184**
Comprehensive income										
Net profit for the year	-	-	-	-	-	-	345,696	345,696	6,484	352,180
Other comprehensive income										
Revaluation of property, plant and equipment, net of tax	-	-	-	21	-	-	-	21	-	21
Net change in fair value of financial assets through other comprehensive income, net of tax	-	77,079	-	-	-	-	-	77,079	-	77,079
Net change in cash flow hedging reserve, net	-	-	(7,098)	-	-	-	-	(7,098)	-	(7,098)
Transfer to other reserves*	-	-	-	-	27,258	-	(27,258)	-	-	-
Total Other comprehensive income	**-**	**77,079**	**(7,098)**	**21**	**27,258**	**-**	**(27,258)**	**70,001**	**-**	**70,001**
Total comprehensive income	**-**	**77,079**	**(7,098)**	**21**	**27,258**	**-**	**318,437**	**415,697**	**6,484**	**422,181**
Dividends distributed*	-	-	-	-	-	-	(360,749)	(360,749)	-	(360,749)
Other changes**	-	-	-	-	-	-	(9)	(9)	-	(9)
Balance at 30 June 2019	**1,177,748**	**(11,491)**	**(52,152)**	**9,840**	**298,289**	**621,680**	**2,752,406**	**4,796,320**	**122,287**	**4,918,607**

** According to the decision of the General Meeting of Shareholders of 8 April 2019, it was decided to allocate a part of the Bank's net profit for 2018 (550,799 RON thousands) in the form of dividends amounting to 360,749 RON thousands and to set up a reserve amounting to 27,258 RON thousands for reinvested profit;*
*** The amount represents the impact of the derecognition of the participation in Casa de Compensare Bucuresti following the liquidation of this company.*

The interim condensed consolidated financial statements were approved by the Management Board on 28 July 2020 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 Cash Flows for the six months period ended 30 June 2020

In RON thousands	Note	30.06.2020	30.06.2019* Restated
Profit of reporting period before taxation*	13	367,197	432,897
Adjustments for non-cash items:			
Depreciation, amortization and impairment on tangible and intangible assets		72,995	73,488
Net impairment losses on financial assets*		236,200	197,595
Change in fair value of derivatives at fair value through profit or loss		(3,139)	39,925
Other items for which the cash effects are investing or financing		78,981	24,146
Other non–cash items*		111,280	184,820
Operating profit before changes in operating assets and liabilities		**863,514**	**952,871**
Change in operating assets:			
Decrease in financial assets at fair value through profit and loss/other comprehensive income		3,828,340	161,613
Acquisition of debt instruments at amortized cost		(4,014,368)	-
Decrease in loans and advances to banks		142,767	1,525,746
Decrease/(Increase) in loans and advances to customers		369,899	(375,259)
Increase in lease investments		(161,919)	(161,258)
Decrease in other assets*		73,912	21,082
Change in operating liabilities:			
Decrease in deposits from banks		(332,770)	(2,418,290)
Decrease in deposits from customers		(1,113,442)	(118,684)
Increase in other liabilities		362,981	244,163
Income tax paid		(34,306)	(80,015)
Cash flows used in operating activities		**(15,392)**	**(248,031)**
Investment activities			
Acquisition of property and equipment and intangible assets*		(61,327)	(52,364)
Dividends received		2,322	2,169
Cash flows used in investment activities		**(59,005)**	**(50,195)**

** 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 2020

In RON thousands	Note	30.06.2020	30.06.2019* Restated
Financing activities			
Dividends paid		(298)	(356,875)
Repayments of loans from financial institutions		(1,295,044)	(1,208,034)
Drawdowns from loans from financial institutions		696,808	1,052,702
Repayment of the lease liabilities		(30,628)	(25,118)
Cash flows used in financing activities		**(629,162)**	**(537,325)**
Net decrease in cash and cash equivalents*		**(703,559)**	**(835,551)**
Cash and cash equivalents at 1 January - gross value		11,698,460	10,285,156
Cash and cash equivalents at 30 June - gross value	14	10,994,901	9,449,605
Impairment allowance		(4,998)	(5,910)
Cash and cash equivalents at 30 June -net value	14	10,989,903	9,443,695

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

In RON thousands	Note	30.06.2020	30.06.2019* Restated
Cash flow from operating activities include:			
Interest received*		936,869	1,042,610
Interest paid		(193,042)	(303,907)

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

The interim condensed consolidated financial statements were approved by the Management Board on 28 July 2020 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

1. REPORTING ENTITY

The UniCredit Group (the "Group") consists of UniCredit Bank S.A. (the "Bank") as mother company and its subsidiaries, UniCredit Consumer Financing IFN S.A. ("UCFIN"), UniCredit Leasing Corporation IFN S.A ("UCLC") and Debo Leasing S.R.L. ("DEBO"). 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, 3 Piazza Gae Aulenti.

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

- UniCredit Consumer Financing IFN S.A. ("UCFIN"), having its current registered office at 23-25 Ghetarilor Street, 1st and 3rd floor, District 1, Bucharest, Romania, provides consumer finance loans to individual clients. The Bank has a shareholding of 50.1% in UCFIN since January 2013.
- UniCredit Leasing Corporation IFN ("UCLC"), having its headquarters in Ghetarilor Street no. 23-25, 1st, 2nd and 4th floors, Sector 1, Bucharest, Romania, provides financial leasing services to corporate clients and individuals. UCLC, the former associate, has become the Bank's subsidiary since April 2014 when the Bank gained indirect control of 99.95% (direct control: 99.90%). The Bank's indirect interest rate as of 30 June 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., 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 Leasing IFN S.A. beginning with October 2018, when the company was erased from the General Register of Financial Non-Banking Institutions.

As at 30 June 2020 the Group carried out its activity in Romania through its Head Office located in Bucharest and through its network, having 147 branches (31 December 2019: 146) in Bucharest and throughout the country.

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 2019.

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.

2. BASIS OF PREPARATION *(continued)*

e) Foreign currency *(continued)*

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 2020	31 December 2019	Variation
Euro (EUR)	1: RON 4.8423	1: RON 4.7793	1.32%
Dollar USA (USD)	1: RON 4.3233	1: RON 4.2608	1.47%

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.

Subsidiaries are consolidated in the consolidated financial statements from the date that control commences until the date that control ceases.

As of 30 June 2020 and 31 December 2019 The Group consists of the Bank and its subsidiaries UCFIN, UCLC and DEBO.

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

Transactions eliminated on consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described in the Consolidated Financial Statements for the financial year ended 31 December 2019 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 in 2019, but after publishing the interim condensed consolidated financial statements as at 30 June 2019. In order to ensure the comparability of the data and information with the current year presentation, in the Interim Condensed Consolidated Statement of Cash Flows as at 30 June 2019, the amount of "Interest received" caption has been recalculated at value of 1,042,610 RON thousands as against of value of 1,019,082 RON thousands previously presented, the variation of advances paid for fixed and intangible assets acquisition in amount of 18,991 RON thousands was reclassified from "Acquisition of property and equipment and intangible assets" caption to "(Increase)/Decrease in other assets" caption, and the variation of impairment allowance for cash and cash equivalents in amount of 3,011 RON thousands was reclassified from "Net impairment losses on financial assets" caption to "Impairment allowance" caption for gross value of cash and cash equivalents at end of period. Also, amount of 7,244 RON thousands was reclassified at 30 June 2019 in the Interim Condensed Consolidated Statement of Comprehensive Income from "Income tax" caption to "Net provision losses" caption, and in the Interim Condensed Consolidated Statement of Cash Flows from "Other non–cash items" caption to "Profit before taxation" caption.

The Group applied in 2020 the same accounting policies described in the Consolidated and Separate Financial Statements for 31.12.2019. The only update is represented by the creation of a new portfolio of securities, measured at amortized cost.

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

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

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

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

c) HTC having the characteristics mentioned above.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New Standards and Interpretations

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

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

- Amendments to **IAS 1 "Presentation of Financial Statements"** and **IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020);
- Amendments to **IFRS 3 "Business Combinations"** - Definition of a Business - adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- Amendments to **IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition** and **Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);
- Amendments to **References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these new standards, amendments to the existing standards and interpretation 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 and are not applied by the Group in preparing interim condensed consolidated financial statements.

At the date of authorisation of these interim condensed consolidated financial statements no 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"** (effective for annual periods beginning on or after 1 January 2021);
- Amendments to **IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022);
- 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);

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New Standards and Interpretations (continued)

- 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 (effective for annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020. The amendment is also available for interim reports.);
- 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 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.

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 2019.

Credit risk

Exposure to credit risk

Throughout the "Exposure to credit risk" notes and disclosures, "Group" includes UniCredit Bank S.A. (the "Bank"), UniCredit Consumer Financing IFN S.A ("UCFIN"), UniCredit Leasing IFN S.A. ("UCLC") for loans to customers, both for on balance sheet exposures and off balance sheet exposures. Lease receivables, belonging to UniCredit Leasing 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.

- **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 2020					
Gross exposure	**32,228,447**	**7,095,750**	**2,170,423**	**23,138**	**41,494,620**
On balance	20,373,574	4,945,877	1,941,374	23,138	27,260,825
Off balance	11,854,873	2,149,873	229,049	-	14,233,795
Allowance for impairment	**(208,148)**	**(140,162)**	**(1,542,551)**	**(3,588)**	**(1,890,861)**
On balance	(192,080)	(104,108)	(1,420,309)	(3,588)	(1,716,497)
Off balance	(16,068)	(36,054)	(122,242)	-	(174,364)
Carrying amount	**32,020,299**	**6,955,588**	**627,872**	**19,550**	**39,603,759**
On balance	20,181,494	4,841,769	521,065	19,550	25,544,328
Off balance*	11,838,805	2,113,819	106,807	-	14,059,431
As of 31 December 2019					
Gross exposure	**34,482,139**	**5,036,041**	**2,114,917**	**25,265**	**41,633,097**
On balance	22,314,886	3,429,467	1,888,498	25,265	27,632,851
Off balance	12,167,253	1,606,574	226,419	-	14,000,246
Allowance for impairment	**(132,880)**	**(59,132)**	**(1,581,214)**	**(4,106)**	**(1,773,226)**
On balance	(120,093)	(50,554)	(1,448,399)	(4,106)	(1,619,046)
Off balance	(12,787)	(8,578)	(132,815)	-	(154,180)
Off balance	**34,349,259**	**4,976,909**	**533,703**	**21,159**	**39,859,871**
On balance	22,194,793	3,378,913	440,099	21,159	26,013,805
Off balance*	12,154,466	1,597,996	93,604	-	13,846,066

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

4. RISK MANAGEMENT *(continued)*

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 2020					
Gross exposure	**3,115,449**	**448,330**	**303,618**	**-**	**3,867,397**
On balance	2,997,527	445,396	303,291	-	3,746,214
Off balance	117,922	2,934	327	-	121,183
Allowance for impairment	**(54,231)**	**(32,035)**	**(200,655)**	**-**	**(286,921)**
On balance	(53,006)	(31,987)	(200,651)	-	(285,644)
Off balance	(1,225)	(48)	(4)	-	(1,277)
Carrying amount	**3,061,218**	**416,295**	**102,963**	**-**	**3,580,476**
On balance	2,944,521	413,409	102,640	-	3,460,570
Off balance*	116,697	2,886	323	-	119,906
As of 31 December 2019					
Gross exposure	**3,158,739**	**251,219**	**316,364**	**-**	**3,726,322**
On balance	3,034,128	251,219	315,407	-	3,600,754
Off balance	124,611	-	957	-	125,568
Allowance for impairment	**(50,325)**	**(11,843)**	**(216,130)**	**-**	**(278,298)**
On balance	(49,398)	(11,843)	(215,997)	-	(277,238)
Off balance	(927)	-	(133)	-	(1,060)
Carrying amount	**3,108,414**	**239,376**	**100,234**	**-**	**3,448,024**
On balance	2,984,730	239,376	99,410	-	3,323,516
Off balance*	123,684	-	824	-	124,508

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

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

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

4. RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

Exposure to credit risk *(continued)*

30.06.2020 In RON thousands	Total out of which:	Corporate	SME	Private Individual	Private banking
Individually significant impaired loans					
Stage 3	1,369,583	1,063,973	168,214	117,829	19,567
Gross amount	**1,369,583**	**1,063,973**	**168,214**	**117,829**	**19,567**
Allowance for impairment	(1,112,624)	(863,887)	(128,547)	(105,326)	(14,864)
Carrying amount	**256,959**	**200,086**	**39,667**	**12,503**	**4,703**
Fair value of collateral	**196,960**	**131,553**	**39,810**	**11,845**	**13,752**
Property	156,623	108,727	22,299	11,845	13,752
Goods	12,364	7,961	4,403	-	-
Assignment of receivables	3,525	3,373	152	-	-
Other collateral	24,448	11,492	12,956	-	-
Other impaired loans					
Stage 3	571,791	55,690	110,891	405,177	33
Gross amount	**571,791**	**55,690**	**110,891**	**405,177**	**33**
Allowance for impairment	(307,685)	(28,885)	(78,215)	(200,556)	(29)
Carrying amount	**264,106**	**26,805**	**32,676**	**204,621**	**4**
Fair value of collateral	**207,637**	**25,225**	**29,060**	**153,352**	**-**
Property	192,528	18,276	22,742	151,510	-
Goods	6,963	1,973	4,898	92	-
Assignment of receivables	834	682	152	-	-
Other collateral	7,312	4,294	1,268	1,750	-
Past due but not impaired					
Stage 1	849,414	565,099	110,356	173,842	117
Stage 2	791,137	332,457	205,136	253,538	6
Gross amount	**1,640,551**	**897,556**	**315,492**	**427,380**	**123**
Allowance for impairment	(49,897)	(9,447)	(7,011)	(33,439)	-
Carrying amount	**1,590,654**	**888,109**	**308,481**	**393,941**	**123**
Neither past due nor impaired					
Stage 1	19,524,160	10,878,552	2,120,960	6,505,884	18,764
Stage 2	4,154,740	2,312,018	436,623	1,369,505	36,594
Gross amount	**23,678,900**	**13,190,570**	**2,557,583**	**7,875,389**	**55,358**
Allowance for impairment	(246,291)	(82,650)	(28,872)	(133,282)	(1,487)
Carrying Amount	**23,432,609**	**13,107,920**	**2,528,711**	**7,742,107**	**53,871**
Total carrying amount	**25,544,328**	**14,222,920**	**2,909,535**	**8,353,172**	**58,701**

** Out of the total gross receivables of RON thousands 27,260,825 as at June 30, 2020, there are loans in amount of RON thousands 1,403,219 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 7,178,116 as at June 30, 2020 and represents mainly immovable properties, movables assets (equipment and vehicles) and cash collaterals, which can be subject to a real guarantee/mortgage.*

4. RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

Exposure to credit risk *(continued)*

31.12.2019 In RON thousands	Total out of which:	Corporate	SME	Private Individual	Private banking
Individually significant impaired loans					
Stage 3	1,328,758	1,050,941	138,494	119,989	19,334
Gross amount	**1,328,758**	**1,050,941**	**138,494**	**119,989**	**19,334**
Allowance for impairment	(1,101,580)	(859,775)	(116,732)	(110,337)	(14,736)
Carrying amount	**227,178**	**191,166**	**21,762**	**9,652**	**4,598**
Fair value of collateral	**200,240**	**149,771**	**30,588**	**6,000**	**13,881**
Property	159,337	122,035	17,421	6,000	13,881
Goods	28,051	17,436	10,615	-	-
Assignment of receivables	20	20	-	-	-
Other collateral	12,832	10,280	2,552	-	-
Other impaired loans					
Stage 3	559,740	45,913	113,064	400,723	40
Gross amount	**559,740**	**45,913**	**113,064**	**400,723**	**40**
Allowance for impairment	(346,819)	(27,772)	(83,685)	(235,358)	(4)
Carrying amount	**212,921**	**18,141**	**29,379**	**165,365**	**36**
Fair value of collateral	**190,533**	**20,502**	**27,351**	**142,645**	**35**
Property	175,623	14,633	19,858	141,097	35
Goods	10,953	5,319	5,337	297	-
Assignment of receivables	168	96	72	-	-
Other collateral	3,789	454	2,084	1,251	-
Past due but not impaired					
Stage 1	833,763	377,065	233,884	221,606	1,208
Stage 2	590,165	186,682	105,076	297,244	1,163
Gross amount	**1,423,928**	**563,747**	**338,960**	**518,850**	**2,371**
Allowance for impairment	(40,372)	(1,962)	(4,124)	(34,284)	(2)
Carrying amount	**1,383,556**	**561,785**	**334,836**	**484,566**	**2,369**
Neither past due nor impaired					
Stage 1	21,481,123	12,120,213	2,576,522	6,737,452	46,936
Stage 2	2,839,302	1,476,130	243,856	1,082,721	36,595
Gross amount	**24,320,425**	**13,596,343**	**2,820,378**	**7,820,173**	**83,531**
Allowance for impairment	(130,275)	(48,501)	(22,974)	(58,339)	(461)
Carrying Amount	**24,190,150**	**13,547,842**	**2,797,404**	**7,761,834**	**83,070**
Total carrying amount	**26,013,805**	**14,318,934**	**3,183,381**	**8,421,417**	**90,073**

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

4. RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

Exposure to credit risk *(continued)*

30.06.2020 In RON thousands	Total out of which:	Corporate	SME	Private Individual	Private banking
Off balance - Loan commitments					
Stage 1	8,865,397	7,716,181	794,337	351,039	3,840
Stage 2	1,319,737	1,040,732	197,607	76,247	5,151
Stage 3	93,267	75,737	15,348	2,047	135
Gross amount	**10,278,401**	**8,832,650**	**1,007,292**	**429,333**	**9,126**
Allowance for impairment	(62,243)	(50,874)	(6,637)	(4,717)	(15)
Carrying amount*	**10,216,158**	**8,781,776**	**1,000,655**	**424,616**	**9,111**
Off balance - Letters of credit					
Stage 1	74,824	74,545	279	-	-
Stage 2	50,287	50,287	-	-	-
Stage 3	730	730	-	-	-
Gross amount	**125,841**	**125,562**	**279**	**-**	**-**
Allowance for impairment	(2,606)	(2,606)	-	-	-
Carrying amount*	**123,235**	**122,956**	**279**	**-**	**-**
Off balance - Guarantees issued					
Stage 1	2,914,652	2,851,513	61,828	997	314
Stage 2	779,849	748,989	21,705	2,600	6,555
Stage 3	135,052	132,365	1,804	520	363
Gross amount	**3,829,553**	**3,732,867**	**85,337**	**4,117**	**7,232**
Allowance for impairment	(109,515)	(108,615)	(752)	(127)	(21)
Carrying amount*	**3,720,038**	**3,624,252**	**84,585**	**3,990**	**7,211**
Total carrying amount	**14,059,431**	**12,528,984**	**1,085,519**	**428,606**	**16,322**

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

4. RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

Exposure to credit risk *(continued)*

31.12.2019 In RON thousands	Total out of which:	Corporate	SME	Private Individual	Private banking
Off balance - Loan commitments					
Stage 1	8,459,581	7,046,818	1,054,948	354,513	3,302
Stage 2	967,317	823,119	64,050	75,680	4,468
Stage 3	84,515	72,977	8,639	2,799	100
Gross amount	**9,511,413**	**7,942,914**	**1,127,637**	**432,992**	**7,870**
Allowance for impairment	(59,484)	(53,901)	(3,110)	(2,471)	(2)
Carrying amount*	**9,451,929**	**7,889,013**	**1,124,527**	**430,521**	**7,868**
Off balance - Letters of credit					
Stage 1	108,657	108,459	198	-	-
Stage 2	39,220	39,220	-	-	-
Stage 3	985	985	-	-	-
Gross amount	**148,862**	**148,664**	**198**	**-**	**-**
Allowance for impairment	(1,634)	(1,634)	-	-	-
Carrying amount*	**147,228**	**147,030**	**198**	**-**	**-**
Off balance - Guarantees issued					
Stage 1	3,599,015	3,533,546	64,360	814	295
Stage 2	600,037	572,034	19,072	2,603	6,328
Stage 3	140,919	137,779	1,398	547	1,195
Gross amount	**4,339,971**	**4,243,359**	**84,830**	**3,964**	**7,818**
Allowance for impairment	(93,062)	(92,451)	(488)	(113)	(10)
Carrying amount*	**4,246,909**	**4,150,908**	**84,342**	**3,851**	**7,808**
Total carrying amount	**13,846,066**	**12,186,951**	**1,209,067**	**434,372**	**15,676**

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

4. RISK MANAGEMENT *(continued)*

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.

30.06.2020 In RON thousands	Total out of which:	Corporate	SME	Private Individual
Individually significant impaired loans				
Stage 3	234,723	41,654	192,132	937
Gross amount	**234,723**	**41,654**	**192,132**	**937**
Allowance for impairment	(171,616)	(43,093)	(127,586)	(937)
Carrying amount	**63,107**	**(1,439)**	**64,546**	**-**
Fair value of collateral	**126,026**	**15,725**	**110,285**	**16**
Property	11,635	-	11,635	-
Vehicles and equipment	78,883	15,725	63,142	16
Other collateral	35,508	-	35,508	-
Other impaired loans				
Stage 3	68,568	99	65,416	3,053
Gross amount	**68,568**	**99**	**65,416**	**3,053**
Allowance for impairment	(29,038)	(99)	(27,456)	(1,483)
Carrying amount	**39,530**	**-**	**37,960**	**1,570**
Fair value of collateral	**43,951**	**82**	**42,224**	**1,645**
Vehicles and equipment	43,951	82	42,224	1,645
Past due but not impaired				
Stage 1	92,119	4,871	85,239	2,009
Stage 2	160,954	8,083	151,392	1,479
Gross amount	**253,073**	**12,954**	**236,631**	**3,488**
Allowance for impairment	(5,973)	(245)	(5,678)	(50)
Carrying amount	**247,100**	**12,709**	**230,953**	**3,438**
Neither past due nor impaired				
Stage 1	2,905,408	253,621	2,577,769	74,018
Stage 2	284,442	15,030	267,939	1,473
Gross amount	**3,189,850**	**268,651**	**2,845,708**	**75,491**
Allowance for impairment	(79,017)	(17,103)	(61,156)	(758)
Carrying Amount	**3,110,833**	**251,548**	**2,784,552**	**74,733**
Total carrying amount	**3,460,570**	**262,818**	**3,118,011**	**79,741**

** Out of the total gross receivables of RON thousands 3,746,214 as at June 30, 2020, there are loans in amount of RON thousands 18,768 for which UCLC 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 51,831 as at June 30, 2020 and they represent Asset Property, Cash Collaterals and Immovable Mortgages.*

4. RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

Exposure to credit risk *(continued)*

31.12.2019 In RON thousands	Total out of which:	Corporate	SME	Private Individual
Individually significant impaired loans				
Stage 3	252,244	42,352	208,956	936
Gross amount	**252,244**	**42,352**	**208,956**	**936**
Allowance for impairment	(189,207)	(25,506)	(162,765)	(936)
Carrying amount	**63,037**	**16,846**	**46,191**	**-**
Fair value of collateral	**130,566**	**16,846**	**113,702**	**18**
Property	12,348	-	12,348	-
Vehicles and equipment	78,025	16,369	61,638	18
Other collateral	40,194	477	39,717	-
Other impaired loans				
Stage 3	63,163	1	62,000	1,162
Gross amount	**63,163**	**1**	**62,000**	**1,162**
Allowance for impairment	(26,792)	(1)	(25,841)	(950)
Carrying amount	**36,371**	**-**	**36,159**	**212**
Fair value of collateral	**39,416**	**-**	**38,554**	**861**
Vehicles and equipment	39,416	-	38,554	861
Past due but not impaired				
Stage 1	92,588	7,214	81,779	3,595
Stage 2	113,172	-	110,813	2,359
Gross amount	**205,760**	**7,214**	**192,592**	**5,954**
Allowance for impairment	(2,533)	(59)	(2,441)	(34)
Carrying amount	**203,227**	**7,156**	**190,151**	**5,920**
Neither past due nor impaired				
Stage 1	2,941,540	229,836	2,639,480	72,225
Stage 2	138,047	5	137,307	735
Gross amount	**3,079,587**	**229,841**	**2,776,787**	**72,960**
Allowance for impairment	(58,708)	(13,626)	(44,566)	(516)
Carrying Amount	**3,020,881**	**216,215**	**2,732,221**	**72,444**
Total carrying amount	**3,323,516**	**240,217**	**3,004,723**	**78,576**

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

4. RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

Exposure to credit risk *(continued)*

30.06.2020 In RON thousands	Total out of which:	Corporate	SME	Private Individual
Off balance - Loan commitments				
Stage 1	117,922	14,539	100,237	3,146
Stage 2	2,934	800	2,134	-
Stage 3	327	68	259	-
Gross amount	**121,183**	**15,407**	**102,630**	**3,146**
Allowance for impairment	(1,277)	(250)	(1,001)	(26)
Carrying amount*	**119,906**	**15,157**	**101,629**	**3,120**

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

31.12.2019 In RON thousands	Total out of which:	Corporate	SME	Private Individual
Off balance - Loan commitments				
Stage 1	124,611	23,642	99,590	1,379
Stage 2	-	-	-	-
Stage 3	957	82	874	-
Gross amount	**125,568**	**23,724**	**100,464**	**1,379**
Allowance for impairment	(1,060)	(225)	(828)	(6)
Carrying amount*	**124,508**	**23,499**	**99,636**	**1,373**

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

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.

30.06.2020 In 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)	3,170,355	78,481	-	-	3,248,836
Grades 4-6: performing (medium risk)	16,456,603	3,306,816	-	-	19,763,419
Grades 7-8 : performing (in observation & substandard)	736,302	1,543,883	-	19,540	2,280,185
Grade 8 : impaired	-	-	1,511,783	3,598	1,511,783
Grade 9: impaired	-	-	235,995	-	235,995
Grade 10: impaired	-	-	193,596	-	193,596
Unrated	10,314	16,697	-	-	27,011
Total gross amount	**20,373,574**	**4,945,877**	**1,941,374**	**23,138**	**27,260,825**
Loss allowance	(192,080)	(104,108)	(1,420,309)	(3,588)	(1,716,497)
Carrying amount	**20,181,494**	**4,841,769**	**521,065**	**19,550**	**25,544,328**

31.12.2019 In 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)	3,556,836	77,946	-	-	3,634,782
Grades 4-6: performing (medium risk)	16,930,491	2,144,327	-	20,640	19,074,818
Grades 7-8 : performing (in observation & substandard)	1,821,137	1,190,605	-	-	3,011,742
Grade 8 : impaired	-	-	1,523,802	4,625	1,523,802
Grade 9: impaired	-	-	154,586	-	154,586
Grade 10: impaired	-	-	210,110	-	210,110
Unrated	6,422	16,589	-	-	23,011
Total gross amount	**22,314,886**	**3,429,467**	**1,888,498**	**25,265**	**27,632,851**
Loss allowance	(120,093)	(50,554)	(1,448,399)	(4,106)	(1,619,046)
Carrying amount	**22,194,793**	**3,378,913**	**440,099**	**21,159**	**26,013,805**

4. RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

Exposure to credit risk *(continued)*

30.06.2020 In 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)	3,870,182	446,888	-	-	4,317,070
Grades 4-6: performing (medium risk)	7,677,941	1,131,503	-	-	8,809,444
Grades 7-8 : performing (in observation & substandard)	301,584	558,812	-	-	860,396
Grade 8 : impaired	-	-	195,437	-	195,437
Grade 9: impaired	-	-	33,424	-	33,424
Grade 10: impaired	-	-	188	-	188
Unrated	5,166	12,670	-	-	17,836
Total gross amount	**11,854,873**	**2,149,873**	**229,049**	**-**	**14,233,795**
Loss allowance	(16,068)	(36,054)	(122,242)	-	(174,364)
Carrying amount*	**11,838,805**	**2,113,819**	**106,807**	**-**	**14,059,431**

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

31.12.2019 In 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)	4,245,154	423,926	-	-	4,669,081
Grades 4-6: performing (medium risk)	7,414,430	698,054	-	-	8,112,482
Grades 7-8 : performing (in observation & substandard)	497,501	470,269	-	-	967,770
Grade 8 : impaired	-	-	171,958	-	171,959
Grade 9: impaired	-	-	54,193	-	54,193
Grade 10: impaired	-	-	268	-	268
Unrated	10,169	14,325	-	-	24,493
Total gross amount	**12,167,253**	**1,606,574**	**226,419**	**-**	**14,000,246**
Loss allowance	(12,787)	(8,578)	(132,815)	-	(154,180)
Carrying amount*	**12,154,466**	**1,597,995**	**93,604**	**-**	**13,846,066**

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

4. RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

Exposure to credit risk *(continued)*

30.06.2020 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)	18,274	332	-	-	18,606
Grades 4-6: performing (medium risk)	2,431,778	309,075	-	-	2,740,853
Grades 7-8 : performing (in observation & substandard)	547,475	135,989	-	-	683,464
Grade 8 : impaired	-	-	27,953	-	27,953
Grade 9: impaired	-	-	162,011	-	162,011
Grade 10: impaired	-	-	113,327	-	113,327
Total gross amount	**2,997,527**	**445,396**	**303,291**	**-**	**3,746,214**
Loss allowance	(53,006)	(31,987)	(200,651)	-	(285,644)
Carrying amount	**2,944,521**	**413,409**	**102,640**	**-**	**3,460,570**

31.12.2019 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)	27,152	414	-	-	27,566
Grades 4-6: performing (medium risk)	2,365,200	164,609	-	-	2,529,809
Grades 7-8 : performing (in observation & substandard)	641,776	86,196	-	-	727,972
Grade 8 : impaired	-	-	19,594	-	19,594
Grade 9: impaired	-	-	187,465	-	187,465
Grade 10: impaired	-	-	108,348	-	108,348
Total gross amount	**3,034,128**	**251,219**	**315,407**	**-**	**3,600,754**
Loss allowance	(49,398)	(11,843)	(215,997)	-	(277,238)
Carrying amount	**2,984,730**	**239,376**	**99,410**	**-**	**3,323,516**

4. RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

Exposure to credit risk *(continued)*

30.06.2020 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)	2,353	-	79	-	2,432
Grades 4-6: performing (medium risk)	99,542	2,731	-	-	102,273
Grades 7-8 : performing (in observation & substandard)	15,797	203	-	-	16,000
Grade 8 : impaired	230	-	148	-	378
Grade 9: impaired	-	-	100	-	100
Total gross amount	**117,922**	**2,934**	**327**	**-**	**121,183**
Loss allowance	(1,225)	(48)	(4)	-	(1,277)
Carrying amount*	**116,697**	**2,886**	**323**	**-**	**119,906**

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

31.12.2019 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)	874	-	-	-	874
Grades 4-6: performing (medium risk)	109,876	-	-	-	109,876
Grades 7-8 : performing (in observation & substandard)	13,861	-	-	-	13,861
Grade 8 : impaired	-	-	598	-	598
Grade 9: impaired	-	-	359	-	359
Total gross amount	**124,611**	**-**	**957**	**-**	**125,568**
Loss allowance	(927)	-	(133)	-	(1,060)
Carrying amount*	**123,684**	**-**	**824**	**-**	**124,508**

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

4. RISK MANAGEMENT *(continued)*

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.

30.06.2020 In 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	429,598	-	-	-	429,598
Total gross amount	**429,598**	**-**	**-**	**-**	**429,598**
Loss allowance	(349)	-	-	-	(349)
Carrying amount	**429,249**	**-**	**-**	**-**	**429,249**
Gross amount - off balance	**1,647,573**	**49,752**	**-**	**-**	**1,697,325**
Loss allowance - off balance	(278)	(18)	-	-	(296)
Carrying amount - off balance	**1,647,295**	**49,734**	**-**	**-**	**1,697,029**

31.12.2019 In 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	572,918	-	-	-	572,918
Total gross amount	**572,918**	**-**	**-**	**-**	**572,918**
Loss allowance	(351)	-	-	-	(351)
Carrying amount	**572,567**	**-**	**-**	**-**	**572,567**
Gross amount - off balance	**1,784,345**	**35,650**	**-**	**-**	**1,819,995**
Loss allowance - off balance	(192)	(7)	-	-	(199)
Carrying amount - off balance	**1,784,153**	**35,643**	**-**	**-**	**1,819,796**

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.

30.06.2020 In 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	4,409,345	-	-	-	4,409,345
Total gross amount	**4,409,345**	**-**	**-**	**-**	**4,409,345**
Loss allowance	(2,957)	-	-	-	(2,957)
Carrying amount	**4,406,388**	**-**	**-**	**-**	**4,406,388**

31.12.2019 In 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	8,621,164	-	-	-	8,621,164
Total gross amount	**8,621,164**	**-**	**-**	**-**	**8,621,164**
Loss allowance	(6,524)	-	-	-	(6,524)
Carrying amount	**8,614,640**	**-**	**-**	**-**	**8,614,640**

30.06.2020 In 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	4,096,677	-	-	-	4,096,677
Total gross amount	**4,096,677**	**-**	**-**	**-**	**4,096,677**
Loss allowance	(2,982)	-	-	-	(2,982)
Carrying amount	**4,093,695**	**-**	**-**	**-**	**4,093,695**

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 amortized cost - ON balance		2020	2019
Private entities (including individuals)		**8,900,856**	**8,965,011**
SME	G Commerce - wholesale and retail	1,269,615	1,386,638
	C Manufacturing	499,860	524,116
	A Agriculture - forestry - fisheries	455,852	435,957
	F Construction and civil engineering	162,609	169,049
	H Transport and storage services	464,802	535,585
	Other services	299,442	359,551
Total SME		**3,152,180**	**3,410,896**
Corporate	C Manufacturing	4,943,873	5,115,425
	G Commerce - wholesale and retail	3,657,571	3,722,630
	L Real estate	1,693,656	1,683,457
	A Agriculture - forestry - fisheries	1,052,944	1,013,365
	H Transport and storage services	780,597	650,471
	Other services	3,079,148	3,071,596
Total Corporate		**15,207,789**	**15,256,944**
Total		**27,260,825**	**27,632,851**
Allowance for impairment		(1,716,497)	(1,619,046)
Carrying amount		**25,544,328**	**26,013,805**

4. RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

Exposure to credit risk *(continued)*

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

Group			
Loans to customers at amortized cost - OFF balance		**2020**	**2019**
Private entities (including individuals)		**449,808**	**452,644**
Loans commitments			
SME	G Commerce - wholesale and retail	551,465	663,338
	C Manufacturing	155,465	144,757
	A Agriculture - forestry - fisheries	109,746	114,845
	F Construction and civil engineering	87,633	100,537
	H Transport and storage services	31,564	27,257
	Other industries	71,419	76,902
Total SME		**1,007,292**	**1,127,636**
Corporate	C Manufacturing	2,473,052	2,163,388
	G Commerce - wholesale and retail	2,359,629	2,042,248
	D Production and supply of electricity, gas, steam and air conditioning	1,183,601	847,927
	F Construction and civil engineering	644,476	722,769
	K Financial and insurance institutions	510,733	532,932
	Other industries	1,661,159	1,633,650
Total Corporate		**8,832,650**	**7,942,916**
Total loans commitments		**9,839,942**	**9,070,552**
Letters of credit			
SME	G Commerce - wholesale and retail	279	198
	Other industries	-	-
Total SME		**279**	**198**
Corporate	G Commerce - wholesale and retail	91,784	82,587
	C Manufacturing	23,675	53,877
	H Transport and storage services	4,690	11,530
	M Professional, scientific and technical activities	4,656	985
	F Construction and civil engineering	730	729
	Other industries	27	583
Total Corporate		**125,562**	**150,291**
Total letters of credit		**125,841**	**150,489**
Financial guarantees			
SME	G Commerce - wholesale and retail	27,857	29,911
	F Construction and civil engineering	16,476	15,366
	C Manufacturing	12,387	14,560
	N Administrative and support service activities	7,428	6,338
	M Professional, scientific and technical activities	4,149	4,764
	Other industries	17,040	13,891
Total SME		**85,337**	**84,830**
Corporate	D Production and supply of electricity, gas, steam and air conditioning	1,078,220	1,259,008
	G Commerce - wholesale and retail	852,052	1,056,735
	F Construction and civil engineering	766,719	670,715
	K Financial and insurance institutions	250,494	271,518
	C Manufacturing	173,165	258,095
	Other Industries	612,217	725,661
Total Corporate		**3,732,867**	**4,241,732**
Total financial guarantees		**3,818,204**	**4,326,562**
TOTAL Off balance sheet exposure		**14,233,795**	**14,000,246**
Allowance for impairment		(174,364)	(154,180)
Carrying amount		**14,059,431**	**13,846,066**

4. RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

Exposure to credit risk *(continued)*

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

Lease receivables at amortized cost - ON balance		2020	2019
Private entities (including individuals)		**82,969**	**81,639**
SME	G Commerce - wholesale and retail	560,901	573,799
	H Transport and storage services	532,664	536,256
	C Manufacturing	502,778	470,953
	F Construction and civil engineering	439,898	378,773
	A Agriculture - forestry - fisheries	217,267	221,671
	Other services	1,086,379	1,058,256
Total SME		**3,339,887**	**3,239,708**
Corporate	C Manufacturing	149,515	148,317
	G Commerce - wholesale and retail	76,544	88,210
	H Transport and storage services	46,029	20,657
	Q Medical and social activities	15,549	4,498
	J Information and communication	14,236	8,501
	Other services	21,485	9,223
Total Corporate		**323,358**	**279,407**
Total		**3,746,214**	**3,600,754**
Allowance for impairment		(285,644)	(277,238)
Carrying amount		**3,460,570**	**3,323,516**

Lease receivables at amortized cost - OFF balance		2020	2019
Private entities (including individuals)		**3,146**	**1,379**
Loan commitments			
SME	C Manufacturing	21,612	26,960
	L Real estate	16,768	19,749
	F Construction and civil engineering	11,171	11,024
	G Commerce - wholesale and retail	10,523	9,876
	H Transport and storage services	10,468	8,494
	Other Industries	32,088	24,361
Total SME		**102,630**	**100,464**
Corporate	C Manufacturing	15,048	16,731
	A Agriculture - forestry - fisheries	188	3,684
	G Commerce - wholesale and retail	114	3,310
	J Information and communication	57	-
Total Corporate		**15,407**	**23,725**
Total		**121,183**	**125,568**
Allowance for impairment		(1,277)	(1,060)
Carrying amount		**119,906**	**124,508**

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, placements with 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 baseline scenario is the main scenario and, indeed, is expected to have the highest probability of occurrence. The positive and negative scenarios represent alternative situations, either better or worse compared to the baseline scenario, in terms of the evolution of the economy of the countries in which the Group operates.

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

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

The Base Scenario ("**Baseline**") reflects the macroeconomic evolution expected from the Group and as such is coherent with the assumptions used in the planning processes. The Baseline Scenario foresees a contraction of the real GDP by -9.4% for 2020 and a growth by 9.8% for 2021.

In the Eurozone' GDP is expected to contract by 13% this year, reflecting the period of intensification across countries of lockdown measures to slow the spread of COVID-19. In greater detail, the Group assume that:

- epidemic curves in most Eurozone countries will flatten;
- containment measures will keep the eurozone economy running at about 75% of its normal speed;
- relaxation of restrictions happen very gradually; and
- large-scale fiscal and monetary support will limit but not fully neutralize permanent damage to productive capacity, household income and human capital.

The Group expect GDP to rebound by about 10% qoq in both 3Q20 and 4Q20 as restrictions are progressively eased. The strong carryover at the end of the year might boost average growth for 2021 to 10%. However, at the end of next year, GDP is likely to remain 0,5% below its level at end-2019.

The **Positive Scenario:** in this scenario, the GDP contraction is foreseen at -4.2% for 2020, while estimated growth for 2021 is +6.5%.

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

As regard the choice of scenario probabilities the rationale is: a potential lower rebound in 2021 may be driven by smaller drop in 2020 (limiting the scope for a rebound), but also by other factors directly or indirectly related to the virus (pandemic resurgence, market/trade tensions); as a consequence, negative scenario is assigned higher probability (30%) than positive one (10%), with baseline at 60%.

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 2020:

Country	Macroeconomic scenario	Base scenario		
		2020	2021	2022
Romania	Real GDP, yoy % change	-9.4	9.8	3.0
Romania	Inflation (CPI) yoy, eop	2.4	3.5	2.7
Romania	Unemployment rate, %	7.8	7.7	4.5
Romania	Short term rate, eop	2.1	2.4	2.9
Romania	Long-term interest rates 10y (%)	4.5	4.5	4.0
Romania	House Price Index, yoy % change	0.5	0	3.0

The forecasts in terms of changes in the "Default rate" and in the "Recovery Rate" 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 economic cycle nature ("Through-the-cycle – TTC") in favour of a Point in time and Forward looking philosophy.

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

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

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

Entity / Impact In RON thousands 30.06.2020	Impact PD up 10%	Impact PD down 10%	Impact Collateral up 10%	Impact Collateral down 10%
UCLC	8,658	(9,140)	(9,621)	8,755
UCFIN	12,973	(12,802)	-	-
Banca	22,145	(22,145)	(24,790)	45,005
Consolidated	**43,777**	**(44,086)**	**(34,411)**	**53,759**

Entity / Impact In RON thousands 31.12.2019	Impact PD up 10%	Impact PD down 10%	Impact Collateral up 10%	Impact Collateral down 10%
UCLC	5,815	(6,138)	(6,461)	5,879
UCFIN	7,364	(7,448)	-	-
Banca	12,529	(12,529)	(15,651)	33,379
Consolidated	**25,708**	**(26,115)**	**(22,112)**	**39,258**

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 significant 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 2020 on financial assets at fair value through other comprehensive income would vary as follows:

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

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

30.06.2020	Group	
In RON thousands	Market Yield -10%	Market Yield +10%
Financial assets at fair value through other comprehensive income denominated in RON	42,188	(41,060)
Financial assets at fair value through other comprehensive income denominated in EUR	12,616	(12,361)
Financial assets at fair value through other comprehensive income	**54,804**	**(53,421)**

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

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

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

Financial assets and liabilities classification

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

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

Qualifying hedge relationships

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship. In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

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

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

Determining fair values

The fair value of financial instruments that are not traded in an active market (for example, unlisted treasury securities and certificates of deposit) is determined by using 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:

30.06.2020 In RON thousands	Listed*	Group Unlisted	Total
Debt securities at fair value through other comprehensive income	4,399,431	-	4,399,431
Equity instruments at fair value through other comprehensive income	-	6,957	6,957
Total assets held at fair value through other comprehensive income	**4,399,431**	**6,957**	**4,406,388**

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

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

*) 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 Group 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.

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.

30.06.2020 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	-	10,989,903	-	-	10,989,903	10,988,125
Financial assets at fair value through profit or loss	519,808	-	-	-	519,808	519,808
Placements with banks at amortized cost	-	429,249	-	-	429,249	429,087
Loans and advances to customers at amortized cost	-	25,544,328	-	-	25,544,328	25,376,281
Net lease receivables	-	3,460,570	-	-	3,460,570	3,460,570
Debt instruments at amortized cost	-	4,093,695	-	-	4,093,695	4,113,418
Financial assets at fair value through other comprehensive income	-	-	4,406,388	-	4,406,388	4,406,388
Other financial assets at amortized cost	-	114,203	-	-	114,203	114,203
Total financial assets	**519,808**	**44,631,948**	**4,406,388**	**-**	**49,558,144**	**49,407,880**
Financial liabilities at fair value through profit or loss	90,573	-	-	-	90,573	90,573
Derivatives liabilities designated as hedging instruments	119,960	-	-	-	119,960	119,960
Deposits from banks	-	1,333,922	-	-	1,333,922	1,329,578
Loans from banks and other financial institutions, including subordinated liabilities	-	6,848,776	-	-	6,848,776	6,843,405
Debt securities issued	-	2,071,740	-	-	2,071,740	2,071,740
Deposits from customers	-	32,982,658	-	-	32,982,658	32,875,316
Other financial liabilities at amortized cost	-	730,530	-	-	730,530	730,530
Lease liabilities	-	197,641	-	-	197,641	197,641
Total financial liabilities	**210,533**	**44,165,267**	**-**	**-**	**44,375,800**	**44,258,743**

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

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

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

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

The table below 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 2020:

30.06.2020					
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	341,060	137,211	1,160	479,431	479,431
Total trading assets	**341,060**	**137,211**	**1,160**	**479,431**	**479,431**
Financial assets at fair value through other comprehensive income					
Debt instrument	3,878,106	521,325	-	4,399,431	4,399,431
Equity instruments (minority holdings)	-	-	6,957	6,957	6,957
Total assets at fair value through other comprehensive income	**3,878,106**	**521,325**	**6,957**	**4,406,388**	**4,406,388**
Non-transactional financial assets at fair value mandatorily through profit or loss					
Equity instruments (VISA holdings)	-	-	40,377	40,377	40,377
Total assets at fair value through profit or loss	**-**	**-**	**40,377**	**40,377**	**40,377**
Liabilities designated for trading and for hedging					
Financial liabilities at fair value through profit or loss	-	89,396	1,177	90,573	90,573
Derivatives financial instruments designated at hedging instruments	-	119,960	-	119,960	119,960
Total liabilities designated for trading and for hedging	**-**	**209,356**	**1,177**	**210,533**	**210,533**

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

31.12.2019					
In RON thousands	Level 1	Level 2	Level 3	Total fair value	Total book value
Trading assets					
Financial assets held for trading at fair value through profit or loss	149,710	77,811	849	228,370	228,370
Total trading assets	**149,710**	**77,811**	**849**	**228,370**	**228,370**
Financial assets at fair value through other comprehensive income					
Debt instrument	7,563,637	1,043,146	-	8,606,783	8,606,783
Equity instruments (minority holdings)	-	-	7,857	7,857	7,857
Total assets at fair value through other comprehensive income	**7,563,637**	**1,043,146**	**7,857**	**8,614,640**	**8,614,640**
Non-transactional financial assets at fair value mandatorily through profit or loss					
Equity instruments (VISA holdings)	-	-	39,620	39,620	39,620
Total assets at fair value through profit or loss	**-**	**-**	**39,620**	**39,620**	**39,620**
Liabilities designated for trading and for hedging					
Financial liabilities at fair value through profit or loss	-	73,120	849	73,969	73,969
Derivatives financial instruments designated at hedging instruments	-	114,852	-	114,852	114,852
Total liabilities designated for trading and for hedging	**-**	**187,972**	**849**	**188,821**	**188,821**

6. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL ASSETS/LIABILITIES *(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 2020:

In RON thousands	Balance at 31 December 2019	Gain/loss in profit or loss	Gain/loss in other comprehensive income	Additions	Disposals	FX effect	Balance at 30 June 2020
Financial assets held for trading	**849**	**311**	**-**	**-**	**-**	**-**	**1,160**
Derivatives financial instruments	849	311	-	-	-	-	1,160
Non-transactional financial assets at fair value mandatorily through profit or loss	**39,620**	**176**	**-**	**-**	**-**	**581**	**40,377**
Equity instrument (VISA holdings)	39,620	176	-	-	-	581	40,377
Financial assets at fair value through other comprehensive income	**7,857**	**-**	**(900)**	**-**	**-**	**-**	**6,957**
Equity instruments (minority holdings)	7,857	-	(900)	-	-	-	6,957
Total assets	**48,326**	**487**	**(900)**	**-**	**-**	**581**	**48,494**
Financial liabilities designated for trading	**849**	**328**	**-**	**-**	**-**	**-**	**1,177**
Derivatives financial instruments	849	328	-	-	-	-	1,177
Total liabilities	**849**	**328**	**-**	**-**	**-**	**-**	**1,177**

7. NET INTEREST INCOME

In RON thousands	30.06.2020	30.06.2019
Interest income		
Interest and similar income arising from:		
Loans and advances to customers*	664,763	659,879
Net Lease receivables	90,710	88,641
Treasury bills and bonds at fair value through other comprehensive income	116,943	120,984
Debt instruments at amortized cost	12,078	-
Current accounts and placements with banks	22,418	40,060
Negative interest from financial liabilities	44	3,447
Total interest income	**906,956**	**913,011**
Interest expense		
Interest expense and similar charges arising from:		
Deposits from customers	111,000	129,012
Loans from banks and other financial institutions	89,066	93,105
Deposits from banks	8,837	34,217
Repurchase agreements	243	124
Interest related to the bonds issued	22,211	12,461
Negative interest in financial assets	14,074	9,889
Debt from leasing operations	686	1,161
Total interest expense	**246,117**	**279,969**
Net interest income	**660,839**	**633,042**

**) Interest income for the six-month period ended 30 June 2020 includes expenses with interest adjustments related to depreciated financial assets in the total amount of RON 43,022 th (30 June 2019: RON 40,315 th).*
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	30.06.2020	30.06.2019
Fees and commissions income		
Payments transactions	130,006	136,859
Risk participation fee (refer to Note 27)	118	171
Guarantees and letters of credit	18,296	14,196
Loan administration	7,655	4,573
Commissions from other types of financial services	43,080	31,684
Commissions from insurance intermediation	19,741	22,645
Commissions on securities transactions	2,581	2,753
Total fees and commission income	**221,477**	**212,881**
Fees and commission expense		
Inter-banking fees	29,490	28,322
Payments transactions	29,647	25,250
Commitments and similar fees	397	236
Intermediary agents fees	2,514	2,446
Other	5,670	5,694
Total fees and commissions expense	**67,718**	**61,948**
Net fees and commissions income	**153,759**	**150,933**

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

In RON thousands	30.06.2020	30.06.2019
Net gains from foreign exchange operations (including FX	158,380	164,806
Net gains / (losses) from interest derivatives	(7,977)	(8,891)
Net income / (losses) from trading bonds	8,010	11,663
Net gains / (losses) from other derivatives	2,870	7,574
Net income from trading for financial instruments held at fair value through profit or loss	**161,283**	**175,152**
Net gains from non-transactional financial instruments held at fair value through profit or loss	**346**	**8,636**
Net income from financial instruments held at fair value through profit or loss	**161,629**	**183,788**

10. PERSONNEL EXPENSES

In RON thousands	30.06.2020	30.06.2019
Wages and salaries	207,454	200,224
Social security charges, unemployment fund and health fund	6,392	5,952
Other (income)/costs	371	(109)
Total	**214,217**	**206,067**

The number of employees of the Group at 30 June 2020 was 3,414 (31 December 2019: 3,357).

11. OTHER ADMINISTRATIVE COSTS

In RON thousands	30.06.2020	30.06.2019
Office space expenses (rental, maintenance, other)	20,192	24,868
IT services	51,728	51,270
Other taxes and duties	54,612	53,561
Communication expenses	11,479	12,862
Advertising and promotional expenses	8,032	9,535
Consultancy, legal and other professional services	4,899	5,168
Materials and consumables	6,696	5,777
Personnel training and recruiting	1,124	2,334
Insurance expenses	1,638	1,596
Other	8,433	7,453
Total	**168,833**	**174,424**

12. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

In RON thousands	30.06.2020	30.06.2019
Net provision charges for loans and advances to customers	213,862	167,409
Net provision charges for banks	674	3,246
Net provision charges for securities	(595)	2,241
Loans written-off	529	1,035
Net provision charges for lease receivables	18,598	10,431
Recoveries from loans previously written-off	(16,881)	(23,968)
Net provisions charges for other financial instruments	5,146	2,354
Total	**221,333**	**162,748**

13. INCOME TAX

The reconciliation between profit before tax and income tax expense in the income statement is presented below:

In RON thousands	30.06.2020	30.06.2019
Profit/ (Loss) before tax	**367,197**	**432,897**
Direct taxes at 16% (2019: 16%) of taxable profits determined in accordance with Romanian law	(72,606)	(78,411)
Correction of current income tax arising from previous year	143	-
Deferred tax income	11,929	(2,306)
Income tax	**(60,534)**	**(80,717)**
Profit/ (Loss) before tax	**367,197**	**432,897**
Taxation at statutory rate of 16%	**(58,752)**	**(69,263)**
Non-deductible expenses	(60,773)	(18,709)
Non-taxable revenues	38,179	6,652
Origination and reversal of temporary differences	13,596	(3,366)
Fiscal credit	7,216	3,948
Taxation in the income statement	**(60,534)**	**(80,717)**

14. CASH AND CASH EQUIVALENTS

In RON thousands	30.06.2020	31.12.2019
Accounts at NBR	4,770,688	4,223,925
Cash (including cash in ATMs)	1,515,517	1,607,801
Short term Money Market placements	4,567,699	5,831,936
Current balances with other banks	140,997	34,798
Total gross value	**10,994,901**	**11,698,460**
Impairment allowance	**(4,998)**	**(4,566)**
Total net book value	**10,989,903**	**11,693,894**

The cash maintained at the National Bank of Romania ensures compliance with the requirements regarding the compulsory minimum reserve. As of 30 June 2020, the required minimum reserve ratio was 6% (31 December 2019: 8%) for funds attracted from customers in lei and 6% (31 December 2019: 8%) for funds attracted in foreign currency, both with residual maturity less than 2 years from the end of the reporting period and for debts with residual maturity greater than 2 years with the repayment, transfer and early withdrawal clause, respectively 0% for the other debts included in the calculation basis.

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

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

In RON thousands	30.06.2020	31.12.2019
Derivatives	86,880	66,672
Investment securities held for trading	392,551	161,698
Capital instruments	40,377	39,620
Total	**519,808**	**267,990**

**) Equity investments for VISA Inc were classified as "Capital Instruments – Financial assets at fair value through profit and loss".*

(ii) Derivative assets/ liabilities

Financial assets and liabilities at fair value through profit or loss at 30 June 2020 are summarized as follows:

In RON thousands	30.06.2020		
	Notional amount	Present value	
		Assets	Liabilities
Foreign currency Derivatives			
Forward contracts	6,385,165	24,105	21,153
Purchased options	690,999	1,783	12
Sold options	690,999	-	1,801
Total foreign currency derivatives	**7,767,163**	**25,888**	**22,966**
Interest rates derivatives			
Interest Rate Swaps	2,332,337	27,886	33,544
Purchased options	593,136	12,232	-
Sold options	593,136	-	13,354
Total interest rate derivatives	**3,518,609**	**40,118**	**46,898**
Other derivatives on purchased merchandise	220,860	20,874	-
Other derivatives on sold merchandise	220,860	-	20,709
Total derivatives - merchandise	**441,720**	**20,874**	**20,709**
Total	**11,727,492**	**86,880**	**90,573**

Financial assets and liabilities at fair value through profit or loss at 31 December 2019 are summarized as follows:

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

16. LOANS AND ADVANCES TO CUSTOMERS

The commercial activity of the Group is focused on lending to companies and private individuals having mainly its domicile/ registered office in Romania. The values below indicate the gross carrying amount and the adjustment for impairment including IRC. The division of the portfolio by types of loans was as follows:

	30.06.2020			
In RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	2020
Mortgages	5,932,990	356,461		6,289,451
Personal loans and car loan	1,988,752	148,614		2,137,366
Credit cards and overdraft	415,859	37,210		453,069
Corporate loans	14,580,499	837,210	23,138	15,417,709
SME loans	1,897,772	234,103		2,131,875
Factoring, Discounting, Forfaiting	503,579	327,776		831,355
Loans and advances to customers before provisions	**25,319,451**	**1,941,374**	**23,138**	**27,260,825**
Less provision for impairment losses on loans	(296,188)	(1,420,309)	(3,588)	(1,716,497)
Net loans and advances to customers	**25,023,263**	**521,065**	**19,550**	**25,544,328**

	31.12.2019			
In RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	2019
Mortgages	5,734,834	347,915		6,082,749
Personal loans and car loan	2,167,240	158,891		2,326,131
Credit cards and overdraft	506,559	32,834		539,393
Corporate loans	14,633,675	830,461	25,265	15,464,136
SME loans	2,030,764	217,522		2,248,286
Factoring, Discounting, Forfaiting	671,281	300,875		972,156
Loans and advances to customers before provisions	**25,744,353**	**1,888,498**	**25,265**	**27,632,851**
Less provision for impairment losses on loans	(170,647)	(1,448,399)	(4,106)	(1,619,046)
Net loans and advances to customers	**25,573,706**	**440,099**	**21,159**	**26,013,805**

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

In RON thousands	30.06.2020	30.06.2019
Balance at the 31 December 2019	**1,619,046**	**1,816,126**
Net impairment charge for the period (Note 12)	213,862	167,409
Foreign currency exchange effect	11,213	15,104
Release of allowances for impairment of loans written-off and loans sold	(153,719)	(451,741)
Other adjustments - the effect of interest adjustment IRC	26,095	23,378
Final balance at 30 June 2020	**1,716,497**	**1,570,276**

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 division of the net leasing investment by maturities is presented in the following table:

In RON thousands	30.06.2020			
	Total, of which	Stage 1	Stage 2	Stage 3
Lease receivables up to one year, gross	1,325,433	1,024,316	133,744	167,373
Lease receivables 1-2 years, gross	1,042,911	853,945	129,551	59,415
Lease receivables 2-3 years, gross	745,235	618,137	87,323	39,775
Lease receivables 3-4 years, gross	463,440	365,540	53,033	44,867
Lease receivables 4-5 years, gross	220,088	187,183	24,473	8,432
Lease receivables over 5 years, gross	192,927	133,977	55,910	3,040
Total contractual undiscounted lease payments receivable	**3,990,034**	**3,183,098**	**484,034**	**322,902**
Unearned finance income (future interest)	(243,820)	(185,571)	(38,638)	(19,611)
Discounted unguaranteed residual value	-	-	-	-
Total gross lease investment net of future interest and unguaranteed residual value	**3,746,214**	**2,997,527**	**445,396**	**303,291**
Impairment allowance for lease receivables	(285,644)	(53,006)	(31,987)	(200,651)
Total net lease investment	**3,460,570**	**2,944,521**	**413,409**	**102,640**

In RON thousands	31.12.2019			
	Total, of which	Stage 1	Stage 2	Stage 3
Lease receivables up to one year, gross	1,334,192	1,074,546	79,407	180,239
Lease receivables 1-2 years, gross	1,106,858	926,329	91,743	88,786
Lease receivables 2-3 years, gross	599,295	566,867	27,853	4,575
Lease receivables 3-4 years, gross	393,337	373,339	17,397	2,601
Lease receivables 4-5 years, gross	278,505	199,335	20,492	58,678
Lease receivables over 5 years, gross	138,487	95,400	40,098	2,989
Total contractual undiscounted lease payments receivable	**3,850,674**	**3,235,816**	**276,990**	**337,868**
Unearned finance income (future interest)	(249,920)	(201,688)	(25,771)	(22,461)
Discounted unguaranteed residual value	-	-	-	-
Total gross lease investment net of future interest and unguaranteed residual value	**3,600,754**	**3,034,128**	**251,219**	**315,407**
Impairment allowance for lease receivables	(277,238)	(49,398)	(11,843)	(215,997)
Total net lease investment	**3,323,516**	**2,984,730**	**239,376**	**99,410**

17. NET FINANCIAL LEASE RECEIVABLES *(continued)*

Changes in depreciation adjustments for lease receivables can be summarized as follows:

In RON thousands	30.06.2020	30.06.2019
Balance at the 31 December 2019	**277,238**	**333,966**
Net impairment charge for the period (Note 12)	18,598	10,431
Foreign currency exchange effect	3,245	4,766
Release of allowances for impairment of loans written-off and loans sold	(13,437)	(40,049)
Balance at 30 June 2020	**285,644**	**309,113**

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

In RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	30.06.2020
Leasing receivables - individuals	409,490	8,194	-	417,684
Leasing receivables - legal entities	3,033,433	295,097	-	3,328,530
Leasing receivables before provisions	**3,442,923**	**303,291**	**-**	**3,746,214**
Impairment allowance for lease receivables	(84,993)	(200,651)	-	(285,644)
Net lease receivable	**3,357,930**	**102,640**	**-**	**3,460,570**

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

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	30.06.2020	31.12.2019
Investment securities held at fair value through other comprehensive income	4,399,431	8,606,783
Equity investments (minority holdings)	6,957	7,857
Total	**4,406,388**	**8,614,640**

Investment securities held at fair value through other comprehensive income

As at 30 June 2020, 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 4,399,431 (31 December 2019: RON thousands 8,606,783).

As at 30 June 2020, the investment securities held at fair value through other comprehensive income are pledged in amount of RON thousands 370,807 (31 December 2019: RON thousands 484,829).

The Group transferred to profit or loss during 2020 an amount of RON thousands 49,656 (30 june 2019: RON thousands 13,001) 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 2020 and 31 December 2019:

30.06.2020 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%	2,873
Biroul de Credit SA	Financial services	6.80%	997
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	741
Total			**6,957**

31.12.2019 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%	3,610
Biroul de Credit SA	Financial services	6.80%	1,160
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	741
Total			**7,857**

The above mentioned entities have their registered offices in Romania.

19. FINANCIAL ASSETS (DEBT INSTRUMENTS) AT AMORTIZED COST

As at 30 June 2020, the Group included debt instruments at amortized cost bonds/Romanian Government T-bills in amount of RON thousands 4,093,695 (31 December 2019 RON thousands 0).

As at 30 June 2020, the debt instruments at amortized cost are pledged in amount of RON thousands 222,820 (31 December 2019: RON thousands 0).

20. DEPOSITS FROM BANKS

In RON thousands	30.06.2020	31.12.2019
Term deposits	831,401	1,002,896
Sight deposits	502,521	663,391
Total	**1,333,922**	**1,666,287**

21. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS AT AMORTIZED COST

In RON thousands	30.06.2020	31.12.2019
Commercial Banks	4,807,084	5,539,000
Multilateral development banks	1,003,772	777,950
International financial institutions	113,308	166,286
Total	**5,924,164**	**6,483,236**

As of 30 June 2020, the final maturity of the loans is between July 2020 and May 2025.

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

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

UniCredit Leasing Corporation IFN carried out in 2020 withdrawals in the total amount of EUR 20 million (equivalent to RON 96,888 thousand) due in 2025 from a facility approved in 2019 by the European Investment Bank. The funds were withdrawn for the purpose of granting leasing loans to the SME customer segment.

22. DEPOSITS FROM CUSTOMERS

In RON thousands	30.06.2020	31.12.2019
Term deposits	8,172,262	8,871,596
Payable on demand	23,898,800	23,818,578
Collateral deposits	911,321	1,248,561
Certificates of deposits	275	215
Total	**32,982,658**	**33,938,950**

23. SUBORDINATED LIABILITIES

In RON thousands	30.06.2020	31.12.2019
UniCredit SPA	818,081	807,304
UniCredit Bank Austria AG	106,531	105,145
Total	**924,612**	**912,449**

As of 30 June 2020, the following agreements were in place:

- subordinated debt from UniCredit SPA, Italy, in amount of in eq. RON thousands 234,852 (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 581,076 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 106,531 (EUR thousands 22,000), with indefinite maturity, beneficiary Unicredit Leasing Corporation IFN S.A.;
- Interest accrued in amount of in eq. RON thousands 2,153 (EUR thousands 0.44)

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

24. PROVISIONS

In RON thousands	30.06.2020	31.12.2019
Provision for financial guarantees	109,811	93,261
Provision for legal disputes	41,996	41,278
Provision for off-balance commitments	66,125	62,179
Other provisions	45,569	44,241
Total	**263,501**	**240,959**

The movements in provisions during the year were as follows:

In RON thousands	30.06.2020	30.06.2019
Balance at 31 December	**240,959**	**205,454**
Net expense/(release) with provision for financial guarantees and off-balance commitments	14,173	(1,306)
Net expense/(release) with provision for legal disputes	494	(502)
Net expense/(release) with other provisions	2,188	1,814
FX effect	5,687	1,325
Balance at 30 June	**263,501**	**206,785**

25. ISSUED CAPITAL

The statutory share capital of the Bank as at 30 June 2020, is represented by 48,948,331 ordinary shares (31 December 2019: 48.948.331 ordinary shares) having a face value of RON 9.30 each and a share premium of RON 75.93 per share. The total value of the share premium is RON thousands 621,680.

The shareholders of the Bank are as follows:

	30.06.2020	31.12.2019
	%	%
UniCredit SpA*)	98.6298	98.6298
Other shareholders	1.3702	1.3702
Total	**100**	**100**

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

The share capital comprises of the following:

	30.06.2020	31.12.2019
Statutory share capital	455,219	455,219
Effect of hyperinflation – IAS 29	722,529	722,529
Share capital under IFRS	**1,177,748**	**1,177,748**

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:

In RON thousands	30.06.2020		31.12.2019	
	Parent Company	Other related entities	Parent Company	Other related entities
Derivative assets at fair value through profit or loss	21,394	1,919	734	11,230
Current accounts and deposits at banks	4,499,836	11,937	5,783,679	18,316
Loans and advances to banks	59,976	5,239	64,720	9,210
Loans and advances to customers	-	40,407	-	40,971
Other assets	22,486	3,897	32,996	27,481
Outstanding receivables	**4,603,692**	**63,399**	**5,882,129**	**107,208**
Derivative liabilities at fair value through profit or loss	20,166	41,634	16,797	47,413
Derivatives liabilities designated as hedging instruments	61,494	58,466	47,866	66,984
Current accounts	6,666	206,956	14,300	159,076
Deposit attracted	-	850,491	-	932,699
Loans received	4,069,961	733,789	4,668,786	792,919
Debts securities issued	-	-	-	25,635
Subordinated liabilities	818,081	106,531	807,305	105,145
Other liabilities	8,154	28,589	6,350	4,728
Outstanding payables	**4,984,522**	**2,026,456**	**5,561,403**	**2,134,599**
Commitments	**1,305,953**	**386,041**	**131,494**	**379,648**

26. RELATED PARTY TRANSACTIONS *(continued)*

In RON thousands	30.06.2020		30.06.2019	
	Parent Company	Other related entities	Parent Company	Other related entities
Interest income	150	275	23,475	297
Interest expense	(86,882)	(33,179)	(99,720)	(40,913)
Fee and commission income	513	11,873	296	6,319
Fee and commission expense	(75)	(1,942)	(62)	(684)
Other operating income	-	188	-	1,264
Operating expenses	(608)	(25,298)	(546)	(28,878)
Net revenue / (expense)	**(86,902)**	**(48,083)**	**(76,557)**	**(62,595)**

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	30.06.2020	31.12.2019
Loans	15,029	12,291
Current accounts and deposits	22,401	26,505

In RON thousands	30.06.2020	30.06.2019
Interest and similar income	115	212
Interest expenses and similar charges	(61)	(81)

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

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:

27. COMMITMENTS AND CONTINGENCIES *(continued)*

i) Off-balance-sheet commitments (continued)

In RON thousands	Stage 1 and Stage 2	Stage 3	Of which: POCI financial assets	30.06.2020
Loan commitments	**10,185,134**	**93,267**	**-**	**10,278,401**
committed	2,141,606	2,951	-	2,144,557
uncommitted	8,043,528	90,316	-	8,133,844
Letters of credit	125,111	730	-	125,841
Guarantees issued	3,694,501	135,052	-	3,829,553
Gross carrying amount	**14,004,746**	**229,049**	**-**	**14,233,795**
Allowance for impairment - Loan commitments	(21,896)	(40,347)	-	(62,243)
Allowance for impairment - Letters of credit	(1,958)	(648)	-	(2,606)
Allowance for impairment - Guarantees issued	(28,268)	(81,247)	-	(109,515)
Net carrying amount	**(52,122)**	**(122,242)**	**-**	**(174,364)**
Carrying amount	**13,952,624**	**106,807**	**-**	**14,059,431**

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

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	30.06.2020
Loan commitments	**120,856**	**327**	**-**	**121,183**
committed	120,856	327	-	121,183
Gross amount	**120,856**	**327**	**-**	**121,183**
Allowance for impairment - Loan commitments	(1,273)	(4)	-	(1,277)
Total loss allowance	**(1,273)**	**(4)**	**-**	**(1,277)**
Carrying amount	**119,583**	**323**	**-**	**119,906**

27. COMMITMENTS AND CONTINGENCIES *(continued)*

i) Off-balance-sheet commitments (continued)

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

The Bank acts as a security agent, payment agent and hedging agent for a series of loan contracts between UniCredit Bank SpA and other entities within UniCredit Group as lender and Romanian companies as borrowers. For each of these contracts there is a risk participation agreement by which the Bank is obliged to indemnify UniCredit SpA or the other entities within UniCredit Group. The total amount of such risk participation agreements in force as at 30 June 2020 is EUR 25,960,383 (31 December 2019: EUR 27,211,827).

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

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

ii) Litigations

As at 30 June 2020, the Group was involved in several litigations (as a defendant) for which, based on legal advice, has assessed that a provision amounting to RON thousands 41,996 as at 30 June 2020 (31 December 2019: RON thousands 41,278) 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 Group.

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

30.06.2020 In RON thousands	CIB and PB	Leasing	Retail	Other	Total
Net interest income	286,801	59,382	272,080	42,576	660,839
Net fee and commission income	71,043	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	174,953	-	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	4,012	7,734	1,433	(1,463)	11,716
Operating income	**562,020**	**88,519**	**366,014**	**61,520**	**1,078,073**
Operating expenses	(192,526)	(31,432)	(254,333)	8,391	(469,900)
Net operating income	**369,494**	**57,087**	**111,681**	**69,911**	**608,173**
Net impairment losses on financial assets	(46,785)	(32,068)	(140,912)	(1,568)	(221,333)
Net provision losses	-	4,306	(755)	(20,406)	(16,855)
Net impairment losses on non-financial assets	-	-	-	(2,788)	(2,788)
Profit before taxation	**322,709**	**29,325**	**(29,986)**	**45,149**	**367,197**
Income tax	(51,634)	(5,950)	(1,346)	(1,604)	(60,534)
Net profit for the year	**271,075**	**23,375**	**(31,332)**	**43,545**	**306,663**

28. OPERATING SEGMENTS *(continued)*

Segment reporting on Group's interim condensed consolidated statement of comprehensive income as of 31 December 2019:

30.06.2019 In RON thousands	CIB and PB	Leasing	Retail	Other	Total
Net interest income	238,934	64,409	275,113	54,586	633,042
Net fee and commission income	73,085	18,849	58,223	776	150,933
Net income from trading and other financial instruments which are not at fair value through profit or loss	164,588	-	43,149	3,618	211,355
FX Gains/ (Losses)	50,859	6,491	58	(55)	57,353
Dividend income	-	-	-	1,971	1,971
Other operating income	446	4,542	2,742	(2,266)	5,464
Operating income	**527,912**	**94,291**	**379,285**	**58,630**	**1,060,118**
Operating expenses	(162,916)	(29,373)	(277,555)	5,377	(464,467)
Net operating income	**364,996**	**64,918**	**101,730**	**64,007**	**595,651**
Net impairment losses on financial assets	(83,475)	(14,148)	(64,669)	(456)	(162,748)
Net provision losses	-	(4,405)	(2,006)	6,405	(6)
Profit before taxation	**281,521**	**46,365**	**35,055**	**69,956**	**432,897**
Income tax	(45,043)	(14,719)	(11,406)	(9,549)	(80,717)
Net profit for the year	**236,478**	**31,646**	**23,649**	**60,407**	**352,180**

28. OPERATING SEGMENTS *(continued)*

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

30.06.2020 In RON thousands	CIB and PB	Leasing	Retail	Other	Total
Total assets	**18,302,369**	**4,712,013**	**10,363,540**	**17,090,916**	**50,468,838**
Total liabilities	21,365,904	4,712,584	12,428,636	6,459,429	44,966,553
Total equity	-	-	-	5,502,285	5,502,285
Total liabilities and equity	**21,365,904**	**4,712,584**	**12,428,636**	**11,961,714**	**50,468,838**

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

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

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 and EBA

In response to the global outbreak of the Corona virus (COVID-19 outbreak) and its spread in Europe particularly since February 2020, the European Banking Authority ("EBA") issued a statement regarding the actions to mitigate the impact of COVID-19 outbreak on the EU banking sector in March 2020 (possible actions to be taken by credit institutions or competent authorities in this context). As the credit institutions may face increasingly difficult conditions in the immediate future, the EBA considers that they need to concentrate their efforts on monitoring and assessing the impact of the COVID-19 outbreak as well as on ensuring business continuity.

During the 1st quarter of 2020, the Board of European Banking Authority (EBA) has decided a number of measures in order to ensure that supervised banks can continue their role of financing the real economy taking into account the effects of Covid-19.

The European Banking Authority (EBA) has also issued numerous statements explaining a number of issues that are imperative for the functioning of the prudential framework in relation to non-performing loans, the identification of restructured exposure, and their accounting treatment. These clarifications help maintain the coherence and compatibility of risk indicators across the European banking sector, which is crucial for measuring the effects of the current crisis. These measures are detailed in the transparency report for the 1st quarter of 2020, published on the Bank's website in the Financial Reports section.

Measures taken by Romanian National Bank

The National Bank of Romania (NBR) adopted a package of measures aimed at mitigating the negative effects of the crisis generated by the coronavirus (COVID-19) epidemic on households and Romanian companies, including the following:

- monetary policy measures: (1) to cut the monetary policy rate by 0.75 pp., from 2.5% to 1.75%; (2) to narrow the symmetrical corridor defined by interest rates on standing facilities around the monetary policy rate to ±0.5 pp. from ±1.0 pp. Thus, the deposit facility rate remains at 1.25%, while the lending (Lombard) facility rate is lowered to 2.25% from 3.50%. The expected effect is to reduce the interest rates for loans to companies and households. (3) to provide liquidity to credit institutions; (4) to purchase RON-denominated government securities on the secondary market to ensure the smooth financing of real economy and the public sector;
- measures to increase the flexibility of the legislative framework so that banks and non-bank financial institutions could help households and companies with outstanding loans: lenders will be allowed to delay payments of the loans of any private individuals or company affected by the COVID-19 pandemic, without applying the conditions related to the level of indebtedness, the loan-to-value limit and the maximum maturity of consumer credit;
- on 24 March 2020, the NBR decided to allow banks the temporary use of previously established capital buffers, while maintaining compliance with the requirements of the legal framework for these flexibility measures and non-compliance with the minimum level of liquidity indicator in order to use reserves for better functioning of the banking sector.
- measures regarding the bank resolution: to postpone the deadline for collecting the annual contributions to the bank resolution fund for 2020 by 3 months, with the possibility of extension to up to 6 months; to delay the reporting deadlines of some information on resolution planning;
- operational measures: to ensure the smooth functioning of payment and settlement systems underlying payments in the domestic currency, so that commercial and financial transactions can be performed under normal conditions; the NBR will provide banks with continuous cash flows for all operations, including liquidity for ATMs.

29. COVID IMPACT *(continued)*

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

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

The Emergency Governmental Ordinance 37/2020 requiring banks and non-bank financial institutions to provide moratorium to all customers impacted by COVID 19 was passed on 30 March 2020, while its Application Norms were passed on 6 April 2020; period of payment postponement it covers a maximum of 9 months, but not later than 31 December 2020, upon request from customers.

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

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

The impact from the change loss for mortgage loans for individuals was presented in the condensed interim consolidated statement of comprehensive income under “Net loss from impairment of financial assets” caption and was in the amount of RON 2,529 thousands as of 30 June 2020.

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

Also, consumer loans granted by UniCredit Consumer Finance IFN S.A. (“UCFIN”) are not expected to significantly decrease the net present value of loans as a result of this restructuring, given that interest is capitalized on consumer loans. For the application of the moratorium in the case of credit cards, UCFIN has developed a similar process as in the case of consumer loans, taking into account the official information received from the Ministry of Finance according to which the provisions of the moratorium are applicable to credit card exposures. afferent COVID-19.

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

The table below summarizes the impact from implementing the EGO 37/2020, as of 30 June 2020 and contains the total amounts due and postponed for repayment until 31 December 2020:

30.06.2020 In RON thousands	Total suspended instalments
Households, out of which:	**76.041**
Consumer loans	42.088
Mortgages	33.953
Legal entities (*), out of which,	**1.515.859**
SME Credits	627.747
Other Credits	888.112
Total	**1.591.900**

(*) Includes also "bullet" reimbursable amounts, without repayment schedule, related to revolving facilities in the total amount of RON thousands 849,238.

29. COVID IMPACT *(continued)*

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

IMM Invest Romania program

UniCredit Bank applied for the state guarantee under **IMM Invest Romania program,** where the legislation has been updated in 2020 in order to allow the SMEs affected by COVID-19 outbreak to cover their liquidity needs for current operations or investments needs by accessing financing solutions (both working capital or investment loans) from the banks under FNGCIMM guarantee scheme (on behalf of Ministry of Public Finance). The global amount approved so far is RON 15 billion, while there is also a proposal of the Parliament to increase up to RON 30 billion, to be approved by the European Commission.

Under this guarantee scheme, the loans guarantee coverage ranging between 80-90% depending on the type of company (IMM or Micro Company) and the loan type. The maximum loan exposure toward a single beneficiary is 10Mn RON with a maximum tenor up to 36 months for working capital and up to 72 months for investment loans.

At the date of publication of these financial statements, IMM Invest is applicable only to the loans granted by the Bank, not to those granted by UCFIN nor to the financing (loans/ leasing) granted by UCLC.

29.3. COVID 19 measures taken by Group

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

- All Group Business Continuity Management scenarios have been fully implemented (all critical processes with BCM alternatives are now in place, with a special focus on work from home for most head office employees), materials for employee's protection were ordered and sent to branches, weekly sanitization takes place in all branches and head office with special antiviral materials (gas, liquid);
- The Group preserved Customer Experience during the emergency state, by ensuring basic services continuity (e.g.: ATMs real time status and availability with prompt intervention, constant communication with the external providers) and accelerated the digital onboarding (e.g.: Digital signature for SME deployment, daily Mobile Banking activation campaign in Contact Center, Mobile Banking sales campaign in Contact Center);
- Tight tracking of liquidity & solvency evolution that cover strict monitoring of capital position and isolation of potential elements with high volatility or impact, while actively observing market and liquidity developments, as well as clients' behavior, as presented in chapter 29.4;
- Dedicated documents and processes have been defined and formalized in order to quickly analyze and process rescheduling requests as well as standardized documents and processes (including IT developments) for suspension requests addressed based on the provisions of EGO 37/2020;
- In addition to public moratorium measures (classified as non-restructured, as described above in the previous chapter), the Group decided to support its clients through other restructurings dedicated to loans, in accordance with the specific needs of clients; they are classified as restructuring.

29.4 Financial impact of COVID 19 outbreak on the financial & prudential position of the Group

UniCredit Group had a strong start of the year, however starting from March, we witnessed a slowdown due to COVID-19 which impacted the entire economy. Due to the resilient business and to the results obtained during the past years, the Group managed to maintain a good position even in this context.

In March 2020, the Group incorporated in the calculation of credit risk provisions the effect of the new macroeconomic scenario; In addition, the potential financial difficulties facing companies in the current financial crisis may lead to deteriorating portfolio levels and a higher risk cost than in recent years.

In terms of expected income, net interest income is the most affected by the slowdown in commercial activities. It is expected that net interest income will be affected by the evolution of ROBOR, which could affect profitability, taking into account, on the one hand, the Group's focus on maintaining liquidity at a sufficient level and, on the other hand, the decrease generated by the decrease. variable interest rate component.

However, given the stress-resistant activity and the very good results obtained so far, at this time the Group does not expect total revenues to deviate significantly from the initial targets.

29. COVID IMPACT *(continued)*

29.4 Financial impact of COVID 19 outbreak on the financial & prudential position of the Group *(continued)*

Regarding UCLC, the estimation of the impact generated by the COVID -19 context on the financial and capital indicators and the main hypotheses are described below:

- revision of the estimates of the new volumes that will be financed, in the sense of a negative deviation from the budgetary estimates;
- requests for rescheduling / suspension will mitigate the reduction of new volumes so that the loan portfolio will register a slight increase but below the budgetary projection;
- estimated interest and commission revenues from new transactions will be below the budget projection;
- the costs (except for the financing ones that can register increases) will register a slight decrease;
- the capital indicators will not be affected given the solidity of the company.

In the context of the current estimates of the contraction of real GDP to the level of -9.4% and the increase of the unemployment rate to the level of 7.8% in 2020, UCFIN has taken a series of measures (in accordance with the measures taken at Group level), meant to protect the net assets as well as the continuity of the activity in the future period. These measures imply, on the one hand, the limitation of the activity of granting new loans, in the sense that the existing clients of UCFIN or of the Bank will be served, who collect their income in the accounts opened with the Bank, and on the other hand the granting increased attention to the area of debt collection, including daily monitoring of applications received for the suspension of credit rates, based on the moratorium (EGO 37/2020).

Between March and June 2020, UCFIN initiated a process to estimate the impact that the current context could have on the financial statements and capital requirements imposed by the National Bank of Romania. Following the analyzes, UCFIN does not expect to record significant losses during 2020 (this will be re-evaluated according to the actions taken by the Government and the supervisory authority). Also, the UCFIN Management does not estimate worsening of the capital requirement below the limit imposed by the National Bank of Romania.

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 the Group considers that the assessment of the business continuity principle is appropriate and there is no risk in this regard over the next 12 months.

Macroeconomic scenario update – impact in loan loss provisions

Following a significant contraction in the Eurozone economies, Romania will most likely face a deep recession in 2020, with GDP contracting by more than 9% in real terms, with a strong impact in the second quarter due to bottlenecks temporary in Europe and recovery starting in the third quarter. The speed of recovery will be determined by how quickly restrictions are lifted, how quickly the global economy returns and how many of the employees currently technically unemployed are fired in the fourth quarter of 2020 and in 2021.

Following the pessimistic forecast, the Group adopted a prudent approach, and carried out a review of the forward-looking information used in calculating credit risk provisions; thus, the Group accounted for additional credit risk provisions of RON 99 million sice March 31, 2020 (of which RON 43 million for the Bank, RON 38 million for UCFIN and RON 18 million for UCLC).

Liquidity & solvency position

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

29. COVID IMPACT *(continued)*

29.4 Financial impact of COVID 19 outbreak on the financial & prudential position of the Group *(continued)*

The Group has comfortable levels on both liquidity and solvency positions, the first half showing a stable trend, unaffected by high volatility. Also, the Bank performed a static and dynamic simulation for the end of 2020, both at consolidated and individual level, the results presenting a good position, the levels of indicators "liquidity coverage rate -" LCR ", net stable financing rate -" NSFR", the total solvency ratio of the capital) being above the minimum requirements of the NBR.

Also, the subsidiaries monitor the liquidity and solvency risks and do not expect a material impact on their value in their context in the context of the COVID-19 outbreak.

Liquidity

During the first semester 2020, the following actions were put in place:

- Liquidity Meetings were held on weekly basis, with the involvement of local Board members (with main focus on actively observing market developments and clients' behavior, monitoring closely the evolution of liquidity and its drivers, assessing the adequacy of the liquidity buffers through various static and dynamic liquidity simulations);
- Strict monitoring of the evolution of commercial volumes (deposits, loans, undrawn facilities);
- Strict monitoring of the liquidity indicators (actual and forecasts) several scenarios both dynamic and static;
- Managing funding initiatives in order to address liquidity needs of the clients affected by the virus outbreak;
- Keeping sufficient stock of liquid assets in order to offset potential liquidity outflows in case of stress.

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

Ratio	31 December 2019	31 March 2020	30 June 2020
	Group	Group	Group
LCR	166.66%	175.66%	177.73%
NSFR	159.49%	160.78%	n/a*

*) The value of the NSFR indicator for June 30, 2020 will be established in August 2020, after the date of approval of the Condensed interim consolidated financial statements for the period of six months ended on 30.06.2020.

Solvency

The Group adopted measures for capital preservation due to the unanticipated COVID outbreak such as:

- Strict monitoring of capital position and isolation of potential elements with high volatility;
- The planned distribution of dividends for the financial year ended 31 December 2019 did not take place, so the entire consolidated profit (RON 643 million) was kept in own funds;
- Periodic simulations at consolidated level by using stress testing methodologies regarding the increase of the exchange rate, the increase of the interest rate and the increase of the non-repayment probabilities.

Financial impact of the COVID-19 outbreak on the Group's operating costs and capital expenditure

As a result of the adoption of new safety and legal measures, the Group incurred significant expenditure which has been already recognized in the statement of profit or loss or in the financial position in these interim consolidated condensed financial statements.

29. COVID IMPACT *(continued)*

29.4 Financial impact of COVID 19 outbreak on the financial & prudential position of the Group *(continued)*

A summary of the typologies of additional costs incurred following COVID 19 outbreak is detailed below:

- **Operating expenses:** RON 6.2 million (of which RON 6.0 million from the Bank, RON 0.1 million from UCLC, RON 0.1 million from UCFIN), including sanitary and related materials (face masks, hygiene kits, disinfection products, thermometer for branches, Plexiglas and stickers, protective visors), IT&C (IT and communications) and related costs (increased VPN bandwidth; IT inventory for laptops, monitors for backup locations, mobile phones, Covid-19 communication materials, other costs (cash expenses, other expenses);
- **Capital expenditures:** RON 8.6 million (of which RON 8.0 million from the Bank, RON 0.1 million from UCLC, RON 0.5 million from UCFIN), including IT&C (IT and communications) and related costs (laptops, hardware for VPN improvements, licenses, UPS Rosetti backup, new hardware), IT developments due to regulatory requirements, other costs (thermal scanners, improvements and space arrangements).

30. SUBSEQUENT EVENTS

On 13 December 2019, the Supervisory Board of UniCredit Leasing Corporation IFN approved the acquisition of all 3,000 shares 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). On 17 December 2019, the SPAs (the contracts) were signed and on 23 July 2020, an addendum was signed by which the clauses from precedent events were updated, together with the definition of the closing date. The shares will be transferred in accordance with the approval of the UniCredit Group, following the approval of the Financial Supervisory Authority and subsequent to the recording of the transfer with the Trade Registry. At the date of preparation of these financial statements, the transfer is in process of being approved by the Financial Supervisory Authority.

The consolidated and separate financial statements were approved by the Management Board on 28 July 2020 and were signed on its behalf by:

Mr. Catalin Rasvan Radu	**Mr. Philipp Gamauf**
Chief Executive Officer	**Chief Financial Officer**