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A better future

UniCredit Bank S.A.
**Unaudited Interim Condensed Consolidated
and Separate Financial Statements**

30 June 2023

prepared in accordance with

IAS 34 “Interim Financial Reporting”

Empowering
Communities to Progress.





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Unaudited Interim condensed consolidated and separate statement of Comprehensive Income for the six months period ended 30 June 2023

In RON thousands	Note	Group		Bank	
		30.06.2023 Unaudited	30.06.2022 Reviewed	30.06.2023 Unaudited	30.06.2022 Reviewed
Interest income using effective interest rate method		1,757,227	1,013,167	1,615,347	883,610
Other interest income		106,519	66,672	8	-
Interest expense		(866,704)	(280,238)	(756,590)	(230,150)
Net interest income	7	997,042	799,601	858,765	653,460
Fee and commission income		388,831	316,891	358,450	290,040
Fee and commission expense		(142,935)	(110,965)	(134,833)	(104,450)
Net fee and commission income	8	245,896	205,926	223,617	185,590
Net income from instruments at fair value through profit and loss	9	202,947	104,664	203,009	104,664
Net gain/(loss) from foreign exchange		53,142	12,595	42,706	2,191
Fair value adjustments in hedge accounting		(4,821)	11,106	(4,821)	11,106
Net gain/(loss) from derecognition of financial assets measured at amortised cost		13,627	15,923	6,895	8,790
Net gain/(loss) from derecognition of financial assets measured at FVTOCI		(3,897)	-	(3,897)	-
Dividend income		3,868	3,196	3,868	3,196
Other operating income		2,387	19,033	6,465	6,180
Operating income		1,510,191	1,172,044	1,336,607	975,177
Personnel expenses	10	(278,660)	(250,243)	(246,030)	(220,325)
Depreciation and impairment of tangible assets		(53,912)	(51,082)	(49,334)	(47,695)
Amortization and impairment of intangible assets		(30,524)	(25,923)	(27,228)	(23,086)
Other administrative costs	11	(232,254)	(232,771)	(215,719)	(218,589)
Other operating costs		(10,387)	(19,042)	(6,249)	(5,736)
Operating expenses		(605,737)	(579,061)	(544,560)	(515,431)
Net impairment losses on financial instruments	12	(124,998)	(105,066)	(103,032)	(50,266)
Losses on modification of financial assets		(11)	153	(11)	153
Net operating income		779,445	488,070	689,004	409,633
Net impairment losses on non-financial assets		501	576	501	576
Net provision gains/ (losses)		1,562	(1,726)	2,027	(2,090)
Profit before tax		781,508	486,920	691,532	408,119
Income tax expense	13	(117,643)	(81,538)	(109,142)	(66,893)
Net profit for the reporting period		663,865	405,382	582,390	341,226
Attributable to:					
Equity holders of the parent company		654,946	400,862	-	-
Non-controlling interests		8,919	4,520	-	-

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

Unaudited Interim condensed consolidated and separate statement of Comprehensive Income for the six months period ended 30 June 2023

In RON thousands	Note	Group		Bank	
		30.06.2023 Unaudited	30.06.2022 Reviewed	30.06.2023 Unaudited	30.06.2022 Reviewed
Other comprehensive income, net of tax:					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of property, plant and equipment		5,091	1,002	5,091	1,002
Movement in investment revaluation reserve for equity instruments at FVTOCI		4,937	(1,720)	4,937	(1,720)
Income tax relating to items that will not be reclassified subsequently to profit or loss		(769)	1,247	(769)	1,247
Total items that will not be reclassified subsequently to profit or loss		9,259	529	9,259	529
Items that may be reclassified subsequently to profit or loss:					
Movement in reserve for debt instruments at FVTOCI:					
Gains/(losses) arising during the period		64,317	(211,721)	64,317	(211,721)
Reclassification of (gains)/losses included in profit or loss		3,897	-	3,897	-
Net changes in cash flow hedging reserve:					
Gains/(losses) arising during the period		5,512	15,363	5,512	15,363
Reclassification of (gains)/losses included in profit or loss		234	839	234	839
Income tax relating to items that may be reclassified subsequently to profit or loss		(11,833)	31,283	(11,833)	31,283
Total items that may be reclassified subsequently to profit or loss		62,127	(164,236)	62,127	(164,236)
Other comprehensive income, net of tax		71,386	(163,707)	71,386	(163,707)
Total comprehensive income		735,251	241,675	653,776	177,519
Attributable to:					
Shareholders of parent – company		726,332	237,155	-	-
Non-controlling interests		8,919	4,520	-	-

The interim condensed consolidated and separate financial statements were approved by the Management Board on 02 August 2023 and were signed on its behalf by:

Mrs. Feza Tan
First Executive Vice-President (Deputy CEO)



Mr. Dimitar Todorov
Executive Vice-President



Unaudited Interim condensed consolidated and separate statement of Financial Position for the six months period ended 30 June 2023

In RON thousands	Note	Group		Bank	
		30.06.2023 Unaudited	31.12.2022 Audited	30.06.2023 Unaudited	31.12.2022 Audited
Assets:					
Cash and cash equivalents	14	15,813,878	16,456,169	15,813,102	16,455,940
Financial assets at fair value through profit or loss	15	207,312	214,714	207,312	214,714
Derivatives assets designated as hedging instruments		303,655	310,229	303,655	310,229
Loans and advances to banks at amortized cost		205,254	399,455	205,254	399,455
Loans and advances to customers at amortized cost	16	34,248,866	32,849,251	32,253,521	31,054,544
Net lease receivables	17	4,051,165	3,788,693	9,839	11,342
Debt instruments at amortized cost	19	8,892,877	8,856,966	8,892,877	8,856,966
Other financial assets at amortized cost		419,526	319,475	323,973	250,620
Financial assets at fair value through other comprehensive income	18	1,962,562	1,922,518	1,960,216	1,920,172
Investment in subsidiaries		-	-	143,116	143,116
Property, plant and equipment		176,957	179,752	174,309	176,415
Right of use assets		204,982	199,230	191,336	181,355
Intangible assets		380,581	362,782	362,771	344,366
Current tax assets		14,980	8,109	-	-
Deferred tax assets		124,435	163,726	47,758	73,999
Other assets		249,116	175,767	55,062	50,866
Total assets		67,256,146	66,206,836	60,944,101	60,444,099
Liabilities:					
Financial liabilities at fair value through profit or loss	15	105,610	176,965	105,610	176,966
Derivatives liabilities designated as hedging instruments		248,797	262,514	248,797	262,514
Deposits from banks	20	870,248	1,050,418	870,248	1,050,418
Loans from banks	21	5,976,042	5,653,932	741,858	849,329
Deposits from customers	22	45,723,575	45,310,940	45,829,242	45,404,198
Debt securities issued		3,535,074	3,502,834	3,535,074	3,502,834
Other financial liabilities at amortized cost		1,126,506	1,307,973	1,033,579	1,239,449
Subordinated liabilities	23	949,317	945,604	840,122	836,761
Lease liabilities		204,449	198,403	200,421	193,362
Current tax liabilities		61,644	24,969	60,396	24,969
Provisions	24	183,313	250,064	183,271	250,737
Other non-financial liabilities		293,386	279,645	165,707	176,914
Total liabilities		59,277,961	58,964,261	53,814,325	53,968,451

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

Unaudited Interim condensed consolidated and separate statement of Financial Position for the six months period ended 30 June 2023

In RON thousands	Note	Group		Bank	
		30.06.2023 Unaudited	31.12.2022 Audited	30.06.2023 Unaudited	31.12.2022 Audited
Equity					
Share capital	25	1,177,748	1,177,748	1,177,748	1,177,748
Share premium account	25	621,680	621,680	621,680	621,680
Cash flow hedging reserve		(2,675)	(7,501)	(2,675)	(7,501)
Reserve on financial assets at fair value through other comprehensive income		(46,977)	(108,424)	(46,977)	(108,424)
Revaluation reserve on property, plant and equipment		22,289	17,177	22,289	17,177
Other reserves		434,219	399,973	434,219	399,973
Retained earnings		5,602,560	4,981,500	4,923,492	4,374,995
Total equity for parent company		7,808,844	7,082,153	7,129,776	6,475,648
Non-controlling interest		169,341	160,422	-	-
Total equity		7,978,185	7,242,575	7,129,776	6,475,648
Total liabilities and equity		67,256,146	66,206,836	60,944,101	60,444,099

The interim condensed consolidated and separate financial statements were approved by the Management Board on 02 August 2023 and were signed on its behalf by:

Mrs. Feza Tan
First Executive Vice-President (Deputy CEO)



Mr. Dimitar Todorov
Executive Vice-President



Unaudited Interim condensed consolidated and separate statement of Changes in Equity for the six months period ended 30 June 2023

30.06.2023 in RON thousands	Share capital	Reserve on financial assets at fair value through other comprehensive income	Group 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 2022	1,177,748	(108,424)	(7,501)	17,177	399,973	621,680	4,981,500	7,082,153	160,422	7,242,575
Comprehensive income for the year										
Net profit for the year	-	-	-	-	-	-	654,946	654,946	8,919	663,865
Other comprehensive income net of tax										
Revaluation of property, plant and equipment, net of tax	-	-	-	5,112	-	-	-	5,112	-	5,112
Net change in fair value of financial assets through other comprehensive income, net of tax	-	61,447	-	-	-	-	-	61,447	-	61,447
Net change in cash flow hedging reserve, net of tax	-	-	4,826	-	-	-	-	4,826	-	4,826
Total other comprehensive income	-	61,447	4,826	5,112	-	-	-	71,385	-	71,385
Total comprehensive income for the year	-	61,447	4,826	5,112	-	-	654,946	726,331	8,919	735,250
Transactions with shareholders										
Transfer to other reserves*	-	-	-	-	34,246	-	(34,246)	-	-	-
Other movements	-	-	-	-	-	-	360	360	-	360
Balance at 30 June 2023**	1,177,748	(46,977)	(2,675)	22,289	434,219	621,680	5,602,560	7,808,844	169,341	7,978,185

* According to the decision of the General Meeting of Shareholders of 27 March 2023, it was decided to allocate a part of the Bank's net profit for 2022 (879,240 RON thousands) to the reinvested profit reserve (exempt from the payment of the profit tax according to art. 22 of Law 227/2015) of an amount of 34,246 RON thousands and to reinvest of the net profit remained undistributed amounting to 844,994 RON thousands.

** Unaudited.

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Mrs. Feza Tan
First Executive Vice-President (Deputy CEO)



Mr. Dimitar Todorov
Executive Vice-President



Unaudited Interim condensed consolidated and separate statement of Changes in Equity for the six months period ended 30 June 2023

30.06.2022	Share capital	Reserve on financial assets at fair value through other comprehensive income	Group Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total	Non-Controlling Interest	Total
in RON thousands										
Balance at 31 December 2021	1,177,748	(10,389)	(33,407)	14,122	365,616	621,680	4,262,398	6,397,768	146,979	6,544,747
Comprehensive income for the year										
Net profit for the year	-	-	-	-	-	-	400,862	400,862	4,520	405,382
Other comprehensive income net of tax										
Revaluation of property, plant and equipment, net of tax	-	-	-	1,974	-	-	-	1,974	-	1,974
Net change in fair value of financial assets through other comprehensive income, net of tax	-	(179,291)	-	-	-	-	-	(179,291)	-	(179,291)
Net change in cash flow hedging reserve, net of tax	-	-	13,610	-	-	-	-	13,610	-	13,610
Total other comprehensive income	-	(179,291)	13,610	1,974	-	-	-	(163,707)	-	(163,707)
Total comprehensive income for the year	-	(179,291)	13,610	1,974	-	-	400,862	237,155	4,520	241,675
Transactions with shareholders										
Transfer to other reserves*	-	-	-	-	32,452	-	(32,452)	-	-	-
Dividends distributed*	-	-	-	-	-	-	(583,929)	(583,929)	-	(583,929)
Other movements	-	-	-	-	-	-	642	642	-	642
Balance at 30 June 2022**	1,177,748	(189,680)	(19,797)	16,097	398,068	621,680	4,047,521	6,051,637	151,499	6,203,136

* According to the decision of the General Meeting of Shareholders of 06 April 2022, it was decided to allocate a part of the Bank's net profit for 2021 (639,306 RON thousands) in the form of dividends amounting to 583,929 RON thousands, to the reinvested profit reserve (exempt from the payment of the profit tax according to art. 22 of Law 227/2015) of an amount of 32,452 RON thousands, and to reinvest of the net profit remained undistributed amounting to 22,925 RON thousands.

** Reviewed.

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First Executive Vice-President (Deputy CEO)



Mr. Dimitar Todorov
Executive Vice-President



Unaudited Interim condensed consolidated and separate statement of Changes in Equity for the six months period ended 30 June 2023

30.06.2023	Bank							
In RON thousands	Share capital	Reserve on financial assets at fair value through other comprehensive income	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total
Balance at 31 December 2022	1,177,748	(108,424)	(7,501)	17,177	399,973	621,680	4,374,995	6,475,648
Comprehensive income for the year								
Net profit for the year	-	-	-	-	-	-	582,390	582,390
Other comprehensive income net of tax								
Revaluation of property, plant and equipment, net of tax	-	-	-	5,112	-	-	-	5,112
Net change in fair value of financial assets through other comprehensive income, net of tax	-	61,447	-	-	-	-	-	61,447
Net change in cash flow hedging reserve, net of tax	-	-	4,826	-	-	-	-	4,826
Total other comprehensive income	-	61,447	4,826	5,112	-	-	-	71,385
Total comprehensive income for the year	-	61,447	4,826	5,112	-	-	582,390	653,775
Transactions with shareholders								
Transfer to other reserves*	-	-	-	-	34,246	-	(34,246)	-
Other movements	-	-	-	-	-	-	353	353
Balance at 30 June 2023**	1,177,748	(46,977)	(2,675)	22,289	434,219	621,680	4,923,492	7,129,776

* According to the decision of the General Meeting of Shareholders of 27 March 2023, it was decided to allocate a part of the Bank's net profit for 2022 (879,240 RON thousands) to the reinvested profit reserve (exempt from the payment of the profit tax according to art. 22 of Law 227/2015) of an amount of 34,246 RON thousands and to reinvest of the net profit remained undistributed amounting to 844,994 RON thousands.

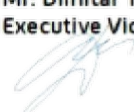
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First Executive Vice-President (Deputy CEO)



Mr. Dimitar Todorov
Executive Vice-President



Unaudited Interim condensed consolidated and separate statement of Changes in Equity for the six months period ended 30 June 2023

30.06.2022 In RON thousands	Bank							Total
	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	
Balance at 31 December 2021	1,177,748	(10,389)	(33,407)	14,122	365,616	621,680	3,761,449	5,896,819
Comprehensive income for the year								
Net profit for the year	-	-	-	-	-	-	341,226	341,226
Other comprehensive income net of tax								
Revaluation of property, plant and equipment, net of tax	-	-	-	1,974	-	-	-	1,974
Net change in fair value of financial assets through other comprehensive income, net of tax	-	(179,291)	-	-	-	-	-	(179,291)
Net change in cash flow hedging reserve, net of tax	-	-	13,610	-	-	-	-	13,610
Total other comprehensive income	-	(179,291)	13,610	1,974	-	-	-	(163,707)
Total comprehensive income for the year	-	(179,291)	13,610	1,974	-	-	341,226	177,519
Transactions with shareholders								
Transfer to other reserves*	-	-	-	-	32,452	-	(32,452)	-
Dividends distributed*	-	-	-	-	-	-	(583,929)	(583,929)
Other movements	-	-	-	-	-	-	295	295
Balance at 30 June 2022**	1,177,748	(189,680)	(19,797)	16,097	398,068	621,680	3,486,590	5,490,706

* According to the decision of the General Meeting of Shareholders of 06 April 2022, it was decided to allocate a part of the Bank's net profit for 2021 (639,306 RON thousands) in the form of dividends amounting to 583,929 RON thousands, to the reinvested profit reserve (exempt from the payment of the profit tax according to art. 22 of Law 227/2015) of an amount of 32,452 RON thousands, and to reinvest of the net profit remained undistributed amounting to 22,925 RON thousands.

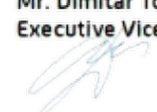
** Reviewed.

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Mrs. Feza Tan
First Executive Vice-President (Deputy CEO)



Mr. Dimitar Todorov
Executive Vice-President



Unaudited Interim condensed consolidated and separate statement of Cash Flows for the six months period ended 30 June 2023

In RON thousands	Note	Group		Bank	
		30.06.2023 Unaudited	30.06.2022 *Restated	30.06.2023 Unaudited	30.06.2022 *Restated
Profit for the reporting period before tax	13	781,508	486,920	691,532	408,119
Adjustments for non-cash items:					
Depreciation and amortization of property, plant and equipment and of intangible assets		84,329	76,893	76,562	70,782
Net impairment losses on financial instruments		189,355	159,464	167,741	105,130
Fair value (gain)/loss on derivatives and other financial assets held for trading		(46,941)	13,710	(46,941)	13,710
Other items for which the cash effects are investing or financing		41,897	7,688	25,483	796
Accrued interest and unwinding effect		75,453	(35,714)	61,675	(32,772)
Impairment of assets and provisions		(90,355)	(17,546)	(80,398)	(34,060)
FX impact		(42,740)	16,610	(42,287)	15,965
Other non-cash items		53,575	(9,429)	6,210	(622)
Operating profit before changes in operating assets and liabilities		1,046,081	698,596	859,577	547,048
Change in operating assets:					
(Increase)/Decrease in financial assets at fair value through profit and loss		(2,277)	42,662	(2,277)	42,662
Acquisition of debt instruments at amortized cost		(5,896)	(1,086,309)	(5,896)	(1,086,309)
Decrease/(Increase) in loans and advances to banks		196,379	(81,336)	194,338	(83,676)
(Increase) in loans and advances to customers		(1,577,302)	(2,681,249)	(1,324,241)	(2,714,625)
(Increase) in lease investments		(286,081)	(48,684)	(9,807)	-
(Increase) in other assets		(179,502)	(100,503)	(75,288)	(62,398)
Change in operating liabilities:					
(Decrease)/Increase in deposits from banks		(181,049)	59,052	(181,049)	59,052
Increase in deposits from customers		338,037	1,867,365	333,498	1,928,203
(Decrease)/Increase in other liabilities		(160,671)	911,804	(218,006)	897,615
Income tax paid		(61,152)	(83,834)	(60,076)	(67,506)
Net cash used in operating activities		(873,433)	(502,436)	(489,227)	(539,934)
Investing activities					
Proceeds on disposal of financial assets at fair value through other comprehensive income		233,586	39,141	233,586	39,141
Acquisition of financial assets at fair value through other comprehensive income		(223,384)	(419,131)	(223,384)	(419,131)
Proceeds on disposal of property, plant and equipment		1,054	-	1,054	-
Acquisition of property, plant and equipment and intangible assets		(54,756)	(60,017)	(51,999)	(57,079)
Dividends received		4,091	3,269	4,091	3,269
Net cash used in investing activities		(39,409)	(436,738)	(36,652)	(433,800)

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

Unaudited Interim condensed consolidated and separate statement of Cash Flows for the six months period ended 30 June 2023

In RON thousands	Note	Group		Bank	
		30.06.2023 Unaudited	30.06.2022 *Restated	30.06.2023 Unaudited	30.06.2022 *Restated
Financing activities					
Dividends paid		(482)	(93)	(482)	(93)
Proceeds from bonds issued		-	790,967	-	790,967
Repayments of loans from banks		(1,613,750)	(712,884)	(107,521)	(100,264)
Drawdowns from loans from banks		1,895,383	703,965	-	123,698
Repayment of the lease liabilities		(41,727)	(35,266)	(40,241)	(33,191)
Net cash from/ (used in) financing activities		239,424	746,689	(148,244)	781,117
Net (decrease) in cash and cash equivalents		(673,418)	(192,485)	(674,123)	(192,617)
Cash and cash equivalents at 1 January - gross value		16,459,052	11,270,506	16,458,822	11,270,425
Effect of foreign exchange rate changes		31,194	121,433	31,352	121,433
Cash and cash equivalents at 30 June - gross value	14	15,816,828	11,199,454	15,816,051	11,199,241
Impairment allowance		(2,950)	(1,148)	(2,949)	(1,147)
Cash and cash equivalents at 30 June - net value	14	15,813,878	11,198,306	15,813,102	11,198,094

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

Cash flow from operating activities include:

In RON thousands	Note	Group		Bank	
		30.06.2023 Unaudited	30.06.2022 *Restated	30.06.2023 Unaudited	30.06.2022 *Restated
Interest received		1,824,710	988,952	1,603,523	812,380
Interest paid		(626,395)	(236,834)	(572,392)	(199,576)

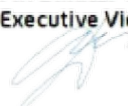
* The comparative information has been restated as described in note 3.

The interim condensed consolidated and separate financial statements were approved by the Management Board on 02 August 2023 and were signed on its behalf by:

Mrs. Feza Tan
First Executive Vice-President (Deputy CEO)



Mr. Dimitar Todorov
Executive Vice-President



1. REPORTING ENTITY

The UniCredit Group (the “Group”) consists of UniCredit Bank S.A. (the “Bank”) as mother company and its subsidiaries, UniCredit Consumer Financing IFN S.A. (“UCFIN”), UniCredit Leasing Corporation IFN S.A (“UCLC”) and UniCredit Insurance Broker S.R.L. (“UCIB”). These 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 includes: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long-term credit facilities, retail loans, bank guarantees, letter of credits and documentary collections.

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

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

- UniCredit Consumer Financing IFN S.A., having its current registered office at 1F, Expozitiei Boulevard, 6th floor, District 1, Bucharest, Romania, provides consumer finance loans to individual clients. The Bank has a shareholding of 50.10% in UCFIN since January 2013.
- UniCredit Leasing Corporation IFN (“UCLC”), having its headquarters in 1F, Expozitiei Boulevard, 1st, 7th and 8th floor, District 1, Bucharest, Romania, provides financial leasing services to corporate clients and individuals. UCLC, the former associate, has become the Bank’s subsidiary since April 2014 when the Bank gained indirect control of 99.95% (direct control: 99.90%). The Bank’s indirect controlling interest as of 30 June 2023 is 99.98% (direct control: 99.96%) as a result of the merger by absorption of UniCredit Leasing Romania SA (“UCLRO”) by UCLC finalized in June 2015, the date at which UCLRO was absorbed by UCLC.
- UniCredit Insurance Broker S.R.L. (“UCIB”), having its current registered office at 1F, Expozitiei Boulevard, 8th floor, District 1, Bucharest, Romania, intermediates insurance policies related to leasing activities to legal entities and individuals, and became a subsidiary of the Bank beginning with 31 December 2020. The Bank has an indirect controlling interest of 99.98% through UCLC that owns 100% UCIB.

As at 30 June 2023 the Group carried out its activity in Romania through its Head Office located in Bucharest and through its network, having 168 branches/Bank 166 branches (31 December 2022: Group 164 branches/Bank 162 branches) in Bucharest and in the country.

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

2. BASIS OF PREPARATION

a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with 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 and separate financial statements of the Group as at and for the year ended 31 December 2022.

However, certain notes are included to explain the events and transactions that are significant to understand the changes in the financial position and performance of the Group and the Bank compared to the last separate and consolidated annual financial statements from and for the financial year ended 31 December 2022.

The interim condensed consolidated and separate financial statements for the 6-month period ended June 30, 2023 are neither audited, nor reviewed.

The interim condensed consolidated and separate financial statements for the 6-month period ended June 30, 2022 are unaudited.

b) Basis of measurement

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

Items	Measurement basis
Financial instruments at fair value through profit or loss	Fair value
Loans and advances to customers	Amortized cost
Financial assets (debt instruments) at amortized cost	Amortized cost
Financial assets at fair value through other comprehensive income	Fair value
Lands and buildings	Fair value
Other fixed assets and intangible assets	Cost
Derivatives designated as hedging instruments	Fair value
Financial assets and financial liabilities designated as hedged items in qualifying fair value hedging relationships	Amortized cost adjusted for hedging gain or loss

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

In particular, information about significant areas of estimation uncertainty and critical judgments made by management in applying accounting policies that have the most significant effect on the amount recognized in the 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.

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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 2023	31 December 2022	Variation
Euro (EUR)	1: RON 4.9634	1: RON 4.9474	0.32%
Dollar USA (USD)	1: RON 4.5750	1: RON 4.6346	-1.29%

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 30 June 2003 are treated as the basis for the carrying amounts in these consolidated and separate financial statements.

g) Basis of consolidation

Subsidiaries

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

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

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

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

As of 30 June 2023 and 31 December 2022, the Group consists in the Bank and its subsidiaries UCFIN, UCLC and UCIB.

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

Transactions eliminated on consolidation

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES

The Group applied in 2023 the same accounting policies for the Consolidated and Separate Financial Statements as for December 2022, with the exception of the new standards and interpretations that appeared on January 1, 2023.

The Group reclassified certain amounts after publishing the interim condensed consolidated and separate financial statements as at 30 June 2022 in order to ensure the comparability of the data and information with the current year presentation, as below.

• Consolidated and separate statement of cash flows

In RON thousands	Group			Bank		
	30.06.2022 Published	30.06.2022 Restatement	30.06.2022 *Restated	30.06.2022 Published	30.06.2022 Restatement	30.06.2022 *Restated
Accrued interest and unwinding effect	-	(35,714)	(35,714)	-	(32,772)	(32,772)
Impairment of assets and provisions	-	(17,546)	(17,546)	-	(34,060)	(34,060)
FX impact	-	16,610	16,610	-	15,965	15,965
Other non-cash items	(46,079)	36,650	(9,429)	(51,489)	50,867	(622)
(Increase)/Decrease in financial assets at fair value through profit and loss	-	42,662	42,662	-	42,662	42,662
(Decrease)/Increase in other liabilities	604,089	307,715	911,804	897,615	-	897,615
Net cash used in operating activities	(852,813)	350,377	(502,436)	(582,596)	42,662	(539,934)
Proceeds on disposal of financial assets at fair value through other comprehensive income	-	39,141	39,141	-	39,141	39,141
Acquisition of financial assets at fair value through other comprehensive income	(337,328)	(81,803)	(419,131)	(337,328)	(81,803)	(419,131)
Net cash used in investing activities	(394,076)	(42,662)	(436,738)	(391,138)	(42,662)	(433,800)
Repayments of loans from banks	(1,009,620)	296,736	(712,884)	(100,264)	-	(100,264)
Drawdowns from loans from banks	1,308,416	(604,451)	703,965	123,698	-	123,698
Net cash from/ (used in) financing activities	1,054,404	(307,715)	746,689	781,117	-	781,117

- (i) "Other non-cash items" caption in amount of -46,079 RON thousands for the Group/ -51,489 RON thousands for the Bank, was split between:
- "Accrued interest and unwinding effect" caption in amount of -35,714 RON thousands for the Group/ -32,772 RON thousands for the Bank;
 - "Impairment of assets and provisions" caption in amount of -17,546 RON thousands for the Group/ -34,060 RON thousands for the Bank;
 - "FX impact" caption in amount of 16,610 RON thousands for the Group/ 15,965 RON thousands for the Bank;
 - "Other non-cash items" caption in amount of -9,429 RON thousands for the Group/ -622 RON thousands for the Bank;

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- (ii) “(Increase)/Decrease in financial assets at fair value through profit and loss/ through other comprehensive income” caption in amount of –337,328 RON thousands for the Group/ Bank, was split between:
- “(Increase)/Decrease in financial assets at fair value through profit and loss” caption in amount of 42,662 RON thousands for the Group/ Bank;
 - “Proceeds on disposal of financial assets at fair value through other comprehensive income” caption in amount of 39,141 RON thousands for the Group/ Bank;
 - “Acquisition of financial assets at fair value through other comprehensive income” caption in amount of -419,131 RON thousands for the Group/ Bank;
- (iii) “(Decrease)/Increase in other liabilities” caption has been recalculated at value of 911,804 RON thousands for the Group (compared to the amount presented previously 604,089 RON thousands for the Group);
- (iv) “Net cash used in operating activities” caption has been recalculated at value of -502,436 RON thousands for the Group/ -539,934 RON thousands for the Bank (compared to the amount presented previously -852,813 RON thousands for the Group/ -582,596 RON thousands for the Bank);
- (v) “Net cash used in investing activities” caption has been recalculated at value of -436,738 RON thousands for the Group/ -433,800 RON thousands for the Bank (compared to the amount presented previously -394,076 RON thousands for the Group/ -391,138 RON thousands for the Bank);
- (vi) “Repayments of loans from banks” caption has been recalculated at value of -712,884 RON thousands for the Group (compared to the amount presented previously -1,009,620 RON thousands for the Group);
- (vii) “Drawdowns from loans from banks” caption has been recalculated at value of 703,965 RON thousands for the Group (compared to the amount presented previously 1,308,416 RON thousands for the Group);
- (viii) “Net cash from/(used in) financing activities” has been recalculated at value of 746,689 RON thousands for the Group (compared to the amount presented previously 1,054,404 RON thousands for the Group).

New Standards and Interpretations

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

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

- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

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

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

At the date of authorisation of these financial statements, the following amendments to the existing standards / new standards nor interpretations issued by the International Accounting Standards Board (IASB) and not yet effective were adopted by the European Union.

- Non-current Liabilities with Covenants (Amendments to IAS 1);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards and Interpretations (continued)

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

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

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

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 2022.

Credit risk

Exposure to credit risk

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

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

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

In RON thousands	Group			Of which: POCI**	Total
	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	financial assets	
As of 30 June 2023					
Gross exposure	44,748,691	11,547,234	1,239,462	5,698	57,535,387
On balance	27,204,947	7,798,680	1,103,104	5,698	36,106,731
Off balance	17,543,744	3,748,554	136,358	-	21,428,656
Allowance for impairment	(345,806)	(747,981)	(930,117)	(889)	(2,023,904)
On balance	(321,535)	(696,241)	(840,089)	(889)	(1,857,865)
Off balance	(24,271)	(51,740)	(90,028)	-	(166,039)
Carrying amount	44,402,885	10,799,253	309,345	4,809	55,511,483
On balance	26,883,412	7,102,439	263,015	4,809	34,248,866
Off balance*	17,519,473	3,696,814	46,330	-	21,262,617
As of 31 of December 2022					
Gross exposure	42,693,607	10,656,586	1,375,878	9,161	54,726,071
On balance	26,218,761	7,344,476	1,139,951	9,161	34,703,188
Off balance	16,474,846	3,312,110	235,927	-	20,022,883
Allowance for impairment	(343,127)	(716,758)	(1,023,739)	(812)	(2,083,624)
On balance	(317,295)	(677,225)	(859,417)	(812)	(1,853,937)
Off balance	(25,832)	(39,533)	(164,322)	-	(229,687)
Carrying amount	42,350,480	9,939,828	352,139	8,349	52,642,447
On balance	25,901,466	6,667,251	280,534	8,349	32,849,251
Off balance*	16,449,014	3,272,577	71,605	-	19,793,196

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

** Purchased or Originated Credit Impaired – POCI.

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

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

RON thousands	Stage 1 12-month ECL	Bank Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI** financial assets	Total
As of 30 June 2023					
Gross exposure	42,921,794	10,538,678	1,140,250	5,698	54,600,722
On balance	25,928,554	6,894,799	1,006,378	5,698	33,829,731
Off balance	16,993,240	3,643,879	133,872	-	20,770,991
Allowance for impairment	(259,343)	(623,496)	(861,416)	(889)	(1,744,255)
On balance	(235,980)	(568,388)	(771,842)	(889)	(1,576,210)
Off balance	(23,363)	(55,108)	(89,574)	-	(168,045)
Carrying amount	42,662,451	9,915,182	278,834	4,809	52,856,467
On balance	25,692,574	6,326,411	234,536	4,809	32,253,521
Off balance*	16,969,877	3,588,771	44,298	-	20,602,946
As of 31 of December 2022					
Gross exposure	41,148,397	9,627,729	1,275,882	9,161	52,052,008
On balance	25,188,398	6,403,296	1,042,083	9,161	32,633,777
Off balance	15,959,999	3,224,433	233,799	-	19,418,231
Allowance for impairment	(273,098)	(587,416)	(952,122)	(812)	(1,812,636)
On balance	(248,052)	(542,730)	(788,451)	(812)	(1,579,233)
Off balance	(25,046)	(44,686)	(163,671)	-	(233,403)
Carrying amount	40,875,299	9,040,313	323,760	8,349	50,239,372
On balance	24,940,346	5,860,566	253,632	8,349	31,054,544
Off balance*	15,934,953	3,179,747	70,128	-	19,184,828

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

** Purchased or Originated Credit Impaired – POCI.

Methodological changes leading to stage 2 increase during 2023: bullet & balloon target solution implementation and inclusion of watch list 1 as stage 2 trigger (one-off increase effect of approximately 400 mio RON).

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

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

In RON thousands	UCLC (Unicredit Leasing Corporation)			Of which: POCI*	Total
	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL		
As of 30 June 2023					
Gross exposure	3,700,123	383,161	259,696	-	4,342,980
On balance	3,700,123	383,161	259,696	-	4,342,980
Allowance for impairment	(86,709)	(23,004)	(182,102)	-	(291,815)
On balance	(86,709)	(23,004)	(182,102)	-	(291,815)
Carrying amount	3,613,414	360,157	77,594	-	4,051,165
On balance	3,613,414	360,157	77,594	-	4,051,165
As of 31 of December 2022					
Gross exposure	3,328,331	481,910	270,024	-	4,080,265
On balance	3,328,331	481,910	270,024	-	4,080,265
Allowance for impairment	(76,458)	(29,225)	(185,889)	-	(291,572)
On balance	(76,458)	(29,225)	(185,889)	-	(291,572)
Carrying amount	3,251,873	452,685	84,135	-	3,788,693
On balance	3,251,873	452,685	84,135	-	3,788,693

* Purchased or Originated Credit Impaired – POCI.

The tables below present both for the Bank and for the Group the breakdown of loans to customers by business segment and asset quality types, 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.

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

30.06.2023 RON thousands	Total out of which:	Group Corporate	Retail Micro	Private Individuals	Private banking
Individually significant impaired loans					
Stage 1	492,444	492,444	-	-	-
Stage 2	1,146,130	1,146,130	-	-	-
Stage 3	791,089	706,322	38,494	46,273	-
Gross amount	2,429,663	2,344,896	38,494	46,273	-
Allowance for impairment	(784,308)	(712,345)	(29,720)	(42,243)	-
Carrying amount	1,645,355	1,632,551	8,774	4,030	-
Fair value of collateral	1,339,336	1,319,743	8,109	11,484	-
Property	984,765	966,188	7,521	11,056	-
Goods	245,679	245,406	273	-	-
Assignment of receivables	8,681	8,681	-	-	-
Other collateral	100,211	99,468	315	428	-
Other not individually impaired loans					
Stage 3	312,015	40,463	37,984	233,568	-
Gross amount	312,015	40,463	37,984	233,568	-
Allowance for impairment	(198,560)	(25,915)	(25,943)	(146,702)	-
Carrying amount	113,455	14,548	12,041	86,866	-
Fair value of collateral	184,819	23,344	24,448	137,027	-
Property	158,761	12,302	14,894	131,565	-
Goods	7,598	5,615	1,711	272	-
Assignment of receivables	315	315	-	-	-
Other collateral	18,145	5,112	7,843	5,190	-
Past due but not individually impaired loans					
Stage 1	2,942,984	786,277	59,404	2,097,303	-
Stage 2	1,343,190	242,672	72,554	1,027,964	-
Gross amount	4,286,174	1,028,949	131,958	3,125,267	-
Allowance for impairment	(302,632)	(19,995)	(11,218)	(271,419)	-
Carrying amount	3,983,542	1,008,954	120,740	2,853,848	-
Neither past due nor individually impaired loans					
Stage 1	23,769,519	17,207,312	1,356,560	5,198,526	7,121
Stage 2	5,309,360	3,781,641	380,225	1,127,819	19,675
Gross amount	29,078,879	20,988,953	1,736,785	6,326,345	26,796
Allowance for impairment	(572,365)	(421,107)	(49,125)	(101,382)	(751)
Carrying Amount	28,506,514	20,567,846	1,687,660	6,224,963	26,045
Total carrying amount	34,248,866	23,223,899	1,829,215	9,169,707	26,045

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

30.06.2023 RON thousands	Total out of which:	Group Corporate	Retail Micro	Private Individuals	Private banking
Off balance - Loan commitments					
Stage 1	13,547,912	12,732,928	510,888	299,333	4,763
Stage 2	2,547,393	2,343,906	75,581	124,884	3,022
Stage 3	43,086	38,106	1,852	3,085	43
Gross amount	16,138,391	15,114,940	588,321	427,302	7,828
Allowance for impairment	(69,164)	(65,082)	(2,172)	(1,826)	(84)
Off balance - Letters of credit					
Stage 1	74,015	73,552	463	-	-
Stage 2	31,271	31,271	-	-	-
Gross amount	105,286	104,823	463	-	-
Allowance for impairment	(992)	(991)	(1)	-	-
Off balance - Guarantees issued					
Stage 1	3,921,817	3,903,786	18,006	25	-
Stage 2	1,169,890	1,163,897	4,180	439	1,374
Stage 3	93,272	91,954	1,226	92	-
Gross amount	5,184,979	5,159,637	23,412	556	1,374
Allowance for impairment	(95,883)	(95,342)	(341)	(86)	(114)

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

30.06.2023		Bank			
RON thousands	Total out of which:	Corporate	Retail Micro	Private Individuals	Private banking
Individually significant impaired loans					
Stage 1	492,444	492,444	-	-	-
Stage 2	1,146,130	1,146,130	-	-	-
Stage 3	770,274	706,322	17,679	46,273	-
Gross amount	2,408,848	2,344,896	17,679	46,273	-
Allowance for impairment	(763,874)	(712,345)	(9,286)	(42,243)	-
Carrying amount	1,644,974	1,632,551	8,393	4,030	-
Fair value of collateral	1,338,954	1,319,743	7,727	11,484	-
Property	984,656	966,188	7,412	11,056	-
Goods	245,406	245,406	-	-	-
Assignment of receivables	8,681	8,681	-	-	-
Other collateral	100,211	99,468	315	428	-
Other not individually impaired loans					
Stage 3	236,104	40,463	34,059	161,582	-
Gross amount	236,104	40,463	34,059	161,582	-
Allowance for impairment	(150,747)	(25,915)	(23,833)	(100,999)	-
Carrying amount	85,357	14,548	10,226	60,583	-
Fair value of collateral	183,291	23,344	23,192	136,755	-
Property	158,761	12,302	14,894	131,565	-
Goods	6,070	5,615	455	-	-
Assignment of receivables	315	315	-	-	-
Other collateral	18,145	5,112	7,843	5,190	-
Past due but not individually impaired loans					
Stage 1	871,694	786,277	28,102	57,315	-
Stage 2	665,511	242,672	44,038	378,801	-
Gross amount	1,537,205	1,028,949	72,140	436,116	-
Allowance for impairment	(100,485)	(19,995)	(10,450)	(70,040)	-
Carrying amount	1,436,720	1,008,954	61,690	366,076	-
Neither past due nor individually impaired loans					
Stage 1	24,564,416	18,972,804	386,845	5,197,646	7,121
Stage 2	5,083,158	3,781,641	156,683	1,125,159	19,675
Gross amount	29,647,574	22,754,445	543,528	6,322,805	26,796
Allowance for impairment	(561,104)	(426,775)	(32,283)	(101,295)	(751)
Carrying amount	29,086,470	22,327,670	511,245	6,221,510	26,045
Total carrying amount	32,253,521	24,983,723	591,554	6,652,199	26,045

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

30.06.2023 RON thousands	Total out of which:	Bank Corporate	Retail Micro	Private Individuals	Private banking
Off balance - Loan commitments					
Stage 1	12,997,016	12,646,924	238,437	106,892	4,763
Stage 2	2,442,718	2,343,906	32,902	62,888	3,022
Stage 3	40,600	38,106	1,718	733	43
Gross amount	15,480,334	15,028,936	273,057	170,513	7,828
Allowance for impairment	(67,025)	(64,923)	(1,699)	(319)	(84)
Off balance - Letters of credit					
Stage 1	74,015	73,552	463	-	-
Stage 2	31,271	31,271	-	-	-
Gross amount	105,286	104,823	463	-	-
Allowance for impairment	(992)	(991)	(1)	-	-
Off balance - Guarantees issued					
Stage 1	3,922,209	3,904,178	18,006	25	-
Stage 2	1,169,890	1,163,897	4,180	439	1,374
Stage 3	93,272	91,954	1,226	92	-
Gross amount	5,185,371	5,160,029	23,412	556	1,374
Allowance for impairment	(100,028)	(99,487)	(341)	(86)	(114)

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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.

30.06.2023	UCLC (Unicredit Leasing Corporation)			
RON thousands	Total out of which:	Corporate	Retail Micro	Private Individuals
Individually significant impaired loans				
Stage 3	208,770	38,618	168,888	1,264
Gross amount	208,770	38,618	168,888	1,264
Allowance for impairment	(163,465)	(34,720)	(127,481)	(1,264)
Carrying amount	45,305	3,898	41,407	-
Fair value of collateral	42,827	3,898	38,929	-
Property	34,308	-	34,308	-
Vehicles and equipment	8,519	3,898	4,621	-
Other not individually impaired loans				
Stage 3	50,926	-	49,389	1,537
Gross amount	50,926	-	49,389	1,537
Allowance for impairment	(18,637)	-	(17,890)	(747)
Carrying amount	32,289	-	31,499	790
Fair value of collateral	29,695	-	28,928	767
Vehicles and equipment	29,695	-	28,928	767
Past due but not individually impaired loans				
Stage 1	73,028	8,619	63,740	669
Stage 2	66,245	-	65,491	754
Gross amount	139,273	8,619	129,231	1,423
Allowance for impairment	(5,448)	(91)	(5,344)	(13)
Carrying amount	133,825	8,528	123,887	1,410
Neither past due nor individually impaired loans				
Stage 1	3,627,096	269,771	3,280,179	77,146
Stage 2	316,915	7,134	306,076	3,705
Gross amount	3,944,011	276,905	3,586,255	80,851
Allowance for impairment	(104,265)	(15,473)	(88,311)	(481)
Carrying Amount	3,839,746	261,432	3,497,944	80,370
Total carrying amount	4,051,165	273,858	3,694,737	82,570

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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.

30.06.2023	Group				
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)	3,544,109	378,111	-	-	3,922,220
Grades 4-6: performing (medium risk)	21,990,582	5,191,952	-	-	27,182,534
Grades 7-8 : performing (in observation & substandard)	949,208	1,921,737	-	5,698	2,870,945
Grade 8 : impaired	-	-	1,074,947	-	1,074,947
Grade 9: impaired	-	-	45	-	45
Grade 10: impaired	-	-	28,112	-	28,112
Unrated	721,048	306,880	-	-	1,027,928
Total gross amount	27,204,947	7,798,680	1,103,104	5,698	36,106,731
Loss allowance	(321,535)	(696,241)	(840,089)	(889)	(1,857,865)
Carrying amount	26,883,412	7,102,439	263,015	4,809	34,248,866

* Purchased or Originated Credit Impaired - POCI

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

* Purchased or Originated Credit Impaired - POCI

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

30.06.2023 RON thousands	Group				
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)	5,902,017	1,194,849	-	-	7,096,866
Grades 4-6: performing (medium risk)	11,276,517	1,990,769	-	-	13,267,286
Grades 7-8 : performing (in observation & substandard)	286,281	539,226	-	-	825,507
Grade 8 : impaired	-	-	135,495	-	135,495
Grade 9: impaired	-	-	8	-	8
Grade 10: impaired	-	-	855	-	855
Unrated	78,929	23,710	-	-	102,639
Total gross amount	17,543,744	3,748,554	136,358	-	21,428,656
Loss allowance	(24,271)	(51,740)	(90,028)	-	(166,039)

* Purchased or Originated Credit Impaired - POCI

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

* Purchased or Originated Credit Impaired - POCI

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

30.06.2023 RON thousands	Bank				
Loans and advances to customers at amortized cost (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI* financial assets	Total
Grades 1-3 : performing (low risk)	3,556,815	375,768	-	-	3,932,583
Grades 4-6: performing (medium risk)	21,702,400	4,717,437	-	-	26,419,837
Grades 7-8 : performing (in observation & substandard)	660,509	1,783,909	-	5,698	2,444,418
Grade 8 : impaired	-	-	999,853	-	999,853
Grade 9: impaired	-	-	45	-	45
Grade 10: impaired	-	-	6,480	-	6,480
Unrated	8,830	17,685	-	-	26,515
Total gross amount	25,928,554	6,894,799	1,006,378	5,698	33,829,731
Loss allowance	(235,980)	(568,388)	(771,842)	(889)	(1,576,210)
Carrying amount	25,692,574	6,326,411	234,536	4,809	32,253,521

* Purchased or Originated Credit Impaired - POCI

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

* Purchased or Originated Credit Impaired - POCI

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

30.06.2023 RON thousands	Bank				Of which: POCI* financial assets	Total
	Loans and advances to customers at amortized cost (off balance)	Stage 1 12- month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL		
Grades 1-3 : performing (low risk)	5,850,440	1,186,094	-	-	-	7,036,534
Grades 4-6: performing (medium risk)	10,849,579	1,920,835	-	-	-	12,770,414
Grades 7-8 : performing (in observation & substandard)	281,971	535,035	-	-	-	817,006
Grade 8 : impaired	-	-	133,009	-	-	133,009
Grade 9: impaired	-	-	8	-	-	8
Grade 10: impaired	-	-	855	-	-	855
Unrated	11,250	1,915	-	-	-	13,165
Total gross amount	16,993,240	3,643,879	133,872	-	-	20,770,991
Loss allowance	(23,363)	(55,108)	(89,574)	-	-	(168,045)

* Purchased or Originated Credit Impaired - POCI

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

* Purchased or Originated Credit Impaired - POCI

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

30.06.2023 In RON thousands		UCLC (Unicredit Leasing Corporation)				
Lease receivables (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI* financial assets	Total	
Grades 1-3 : performing (low risk)	29,019	564	-	-	29,583	
Grades 4-6: performing (medium risk)	3,338,865	280,438	-	-	3,619,303	
Grades 7-8 : performing (in observation & substandard)	332,239	102,159	-	-	434,398	
Grade 8 : impaired	-	-	208,328	-	208,328	
Grade 9: impaired	-	-	1,987	-	1,987	
Grade 10: impaired	-	-	49,381	-	49,381	
Total gross amount	3,700,123	383,161	259,696	-	4,342,980	
Loss allowance	(86,709)	(23,004)	(182,102)	-	(291,815)	
Carrying amount	3,613,414	360,157	77,594	-	4,051,165	

* Purchased or Originated Credit Impaired - POCI

31.12.2022 In RON thousands		UCLC (Unicredit Leasing Corporation)				
Lease receivables (on balance)	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI* financial assets	Total	
Grades 1-3 : performing (low risk)	17,244	-	-	-	17,244	
Grades 4-6: performing (medium risk)	2,972,494	355,063	-	-	3,327,557	
Grades 7-8 : performing (in observation & substandard)	338,593	126,847	-	-	465,440	
Grade 8 : impaired	-	-	218,252	-	218,252	
Grade 9: impaired	-	-	2,698	-	2,698	
Grade 10: impaired	-	-	49,074	-	49,074	
Total gross amount	3,328,331	481,910	270,024	-	4,080,265	
Loss allowance	(76,458)	(29,225)	(185,889)	-	(291,572)	
Carrying amount	3,251,873	452,685	84,135	-	3,788,693	

* Purchased or Originated Credit Impaired - POCI

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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.

30.06.2023 RON thousands	Group/Bank					
	Loans and advances to banks at amortized cost	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI* financial assets	Total
Grades 1-3 : performing (low risk)	205,300	-	-	-	-	205,300
Total gross amount	205,300	-	-	-	-	205,300
Loss allowance	(46)	-	-	-	-	(46)
Carrying amount	205,254	-	-	-	-	205,254
Gross amount - off balance	2,082,929	8,894	-	-	-	2,091,823
Loss allowance - off balance	(80)	-	-	-	-	(80)

* Purchased or Originated Credit Impaired – POCI

31.12.2022 RON thousands	Group/Bank					
	Loans and advances to banks at amortized cost	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI* financial assets	Total
Grades 1-3 : performing (low risk)	386,445	13,690	-	-	-	400,135
Total gross amount	386,445	13,690	-	-	-	400,135
Loss allowance	(677)	(3)	-	-	-	(680)
Carrying amount	385,768	13,687	-	-	-	399,455
Gross amount - off balance	2,057,357	116,465	-	-	-	2,173,822
Loss allowance - off balance	(163)	(4)	-	-	-	(167)

* Purchased or Originated Credit Impaired - POCI

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

Loans and advances to banks at amortized cost In RON thousands	Group		Bank	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Investment-grade	205,254	399,455	205,254	399,455
Total	205,254	399,455	205,254	399,455

The analysis is based on the ratings issued by Standard & Poor, if available, or by Moody's and Fitch converted to the nearest equivalent on the Standard & Poor rating scale.

The investment-grade category includes loans to banks for which the debtor has the following ratings: A+, A, A-, BBB+, BBB, BBB-, BAA1 and BAA3.

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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.

30.06.2023		Group			
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 1-3 : performing (low risk)	1,963,154	-	-	-	1,963,154
Total fair value	1,963,154	-	-	-	1,963,154
Loss allowance	(592)	-	-	-	(592)
Carrying amount	1,962,562	-	-	-	1,962,562

* Purchased or Originated Credit Impaired - POCI

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

* Purchased or Originated Credit Impaired - POCI

30.06.2023		Bank			
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 1-3 : performing (low risk)	1,960,808	-	-	-	1,960,808
Total fair value	1,960,808	-	-	-	1,960,808
Loss allowance	(592)	-	-	-	(592)
Carrying amount	1,960,216	-	-	-	1,960,216

* Purchased or Originated Credit Impaired - POCI

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

* Purchased or Originated Credit Impaired – POCI

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

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

30.06.2023 RON thousands	Group/Bank				
Debt instruments at amortized cost	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI* financial assets	Total
Grades 1-3 : performing (low risk)	8,895,453	-	-	-	8,895,453
Total gross amount	8,895,453	-	-	-	8,895,453
Loss allowance	(2,576)	-	-	-	(2,576)
Carrying amount	8,892,877	-	-	-	8,892,877

* Purchased or Originated Credit Impaired - POCI

31.12.2022 RON thousands	Group/Bank				
Debt instruments at amortized cost	Stage 1 12-month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Of which: POCI* financial assets	Total
Grades 1-3 : performing (low risk)	8,859,380	-	-	-	8,859,380
Total gross amount	8,859,380	-	-	-	8,859,380
Loss allowance	(2,414)	-	-	-	(2,414)
Carrying amount	8,856,966	-	-	-	8,856,966

* Purchased or Originated Credit Impaired - POCI

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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:

Group			
Loans to customers at amortised cost - ON balance		30.06.2023	31.12.2022
Private entities (including individuals)		9,758,249	9,249,677
Retail Micro	G Commerce - wholesale and retail	805,177	774,804
	H Transport and storage services	450,228	380,339
	C Manufacturing	369,526	127,265
	A Agriculture - forestry - fisheries	119,158	346,461
	F Construction and civil engineering	59,701	56,598
	Other services	141,431	139,148
Total Retail Micro		1,945,221	1,824,615
Corporate	G Commerce - wholesale and retail	6,959,259	6,657,850
	C Manufacturing	5,910,250	5,453,158
	A Agriculture - forestry - fisheries	1,774,992	1,813,460
	D Production and supply of electricity, gas, steam and air conditioning	1,674,549	1,750,362
	K Financial and insurance institutions	1,218,882	1,524,037
	Other services	6,865,329	6,430,029
Total Corporate		24,403,261	23,628,896
Total		36,106,731	34,703,188
Allowance for impairment		(1,857,865)	(1,853,937)
Carrying amount		34,248,866	32,849,251

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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 amortised cost - OFF balance		30.06.2023	31.12.2022
Private entities (including individuals)		437,060	414,138
Loans commitments			
Retail Micro	C Manufacturing	358,382	40,776
	G Commerce - wholesale and retail	96,547	381,707
	A Agriculture - forestry - fisheries	44,557	55,256
	F Construction and civil engineering	28,024	27,675
	H Transport and storage services	21,550	14,985
	Other industries	39,261	37,336
Total Retail Micro		588,321	557,735
Corporate	G Commerce - wholesale and retail	3,950,276	3,922,656
	C Manufacturing	3,553,891	3,222,236
	D Production and supply of electricity, gas, steam and air conditioning	2,305,927	1,635,093
	F Construction and civil engineering	1,212,212	1,032,087
	K Financial and insurance institutions	776,517	792,781
	Other industries	3,316,117	2,823,259
Total Corporate		15,114,940	13,428,112
Total loans commitments		15,703,261	13,985,847
Letters of credit			
Retail Micro	G Commerce - wholesale and retail	463	-
Total Retail Micro		463	-
Corporate	G Commerce - wholesale and retail	85,107	103,706
	C Manufacturing	11,831	23,517
	L Real estate	5,568	-
	F Construction and civil engineering	1,971	94,157
	H Transport and storage services	346	1,465
Total Corporate		104,823	222,845
Total letters of credit		105,286	222,845
Financial guarantees			
Retail Micro	M Professional, scientific and technical activities	4,873	5,423
	G Commerce - wholesale and retail	4,336	3,839
	N Administrative and support service activities	3,002	2,506
	D Production and supply of electricity, gas, steam and air conditioning	2,325	1,532
	E Water supply	1,614	125
	Other industries	7,262	7,554
Total Retail Micro		23,412	20,979
Corporate	G Commerce - wholesale and retail	1,482,714	1,334,722
	F Construction and civil engineering	1,202,908	1,036,236
	D Production and supply of electricity, gas, steam and air conditioning	915,369	1,476,730
	C Manufacturing	461,938	518,028
	M Professional, scientific and technical activities	449,416	-
	Other Industries	647,292	1,013,358
Total Corporate		5,159,637	5,379,074
Total financial guarantees		5,183,049	5,400,053
TOTAL Off balance sheet exposure for loans to customers		21,428,656	20,022,883
Allowance for impairment		(166,039)	(229,687)

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

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

		Bank	
Loans to customers at amortised cost - ON balance		30.06.2023	31.12.2022
Private entities (including individuals)		6,993,572	6,831,113
Retail Micro	G Commerce - wholesale and retail	211,028	200,624
	C Manufacturing	114,627	112,808
	A Agriculture - forestry - fisheries	109,510	126,751
	F Construction and civil engineering	56,377	52,532
	H Transport and storage services	45,122	39,337
	Other services	130,742	123,694
Total Retail Micro		667,406	655,746
Corporate	G Commerce - wholesale and retail	6,858,423	6,572,731
	C Manufacturing	5,910,250	5,453,115
	K Financial and insurance institutions	3,105,573	3,151,125
	A Agriculture - forestry - fisheries	1,772,019	1,813,460
	D Production and supply of electricity, gas, steam and air conditioning	1,674,549	1,750,362
	Other services	6,847,939	6,406,125
Total Corporate		26,168,753	25,146,918
Total		33,829,731	32,633,777
Allowance for impairment		(1,576,210)	(1,579,233)
Carrying amount		32,253,521	31,054,544

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

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

Bank			
Loans to customers at amortised cost - OFF balance		30.06.2023	31.12.2022
Private entities (including individuals)		180,272	187,405
Loan commitments			
Retail Micro	G Commerce - wholesale and retail	90,719	82,227
	C Manufacturing	48,944	39,913
	A Agriculture - forestry - fisheries	44,557	55,256
	F Construction and civil engineering	28,024	27,675
	H Transport and storage services	21,550	14,985
	Other industries	39,261	37,116
Total Retail Micro		273,055	257,172
Corporate	G Commerce - wholesale and retail	3,824,065	3,780,144
	C Manufacturing	3,553,892	3,222,236
	D Production and supply of electricity, gas, steam and air conditioning	2,305,927	1,635,093
	F Construction and civil engineering	1,212,212	1,032,087
	K Financial and insurance institutions	816,724	857,097
	Other industries	3,316,117	2,823,259
Total Corporate		15,028,937	13,349,916
Total loans commitments		15,301,992	13,607,088
Letters of credit			
Retail Micro	G Commerce - wholesale and retail	463	-
Total Retail Micro		463	-
Corporate	G Commerce - wholesale and retail	85,107	103,706
	C Manufacturing	11,831	23,517
	L Real estate	5,568	-
	F Construction and civil engineering	1,971	94,157
	H Transport and storage services	346	1,465
Total Corporate		104,823	222,845
Total letters of credit		105,286	222,845
Financial guarantees			
Retail Micro	M Professional, scientific and technical activities	4,873	5,423
	G Commerce - wholesale and retail	4,336	3,839
	N Administrative and support service activities	3,002	2,506
	D Production and supply of electricity, gas, steam and air conditioning	2,325	1,532
	E Water supply	1,614	125
	Other industries	7,262	7,554
Total Retail Micro		23,412	20,979
Corporate	G Commerce - wholesale and retail	1,482,714	1,334,722
	F Construction and civil engineering	1,202,908	1,036,236
	D Production and supply of electricity, gas, steam and air conditioning	915,369	1,476,730
	C Manufacturing	461,938	518,028
	M Professional, scientific and technical activities	449,416	-
	Other Industries	647,684	1,014,198
Total Corporate		5,160,029	5,379,914
Total financial guarantees		5,183,441	5,400,893
TOTAL Off balance sheet exposure for loans to customers		20,770,991	19,418,231
Allowance for impairment		(168,045)	(233,403)

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

4. RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)

- Concentration of credit risk related to lease receivables

UCLC (Unicredit Leasing Corporation)		
Lease receivables at amortised cost - ON balance	30.06.2023	31.12.2022
Private entities (including individuals)	85,075	81,808
Retail Micro		
G Commerce - wholesale and retail	724,174	662,024
F Construction and civil engineering	684,677	656,678
H Transport and storage services	525,532	520,032
C Manufacturing	464,079	462,996
A Agriculture - forestry - fisheries	296,165	264,874
Other services	1,239,136	1,133,353
Total Retail Micro	3,933,763	3,699,957
Corporate		
C Manufacturing	121,691	115,879
G Commerce - wholesale and retail	64,856	59,042
A Agriculture - forestry - fisheries	11,053	13,308
K Financial and insurance institutions	119	-
Other services	126,423	110,271
Total Corporate	324,142	298,500
Total	4,342,980	4,080,265
Allowance for impairment	(291,815)	(291,572)
Carrying amount	4,051,165	3,788,693

5. USE OF ESTIMATES AND JUDGEMENTS

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

a) Key sources of estimation uncertainty

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

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

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

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

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

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

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

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

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

In particular, UniCredit Group has selected three macroeconomic scenarios to determine the forward looking component, a baseline scenario, a positive scenario and a negative scenario. The probabilities are set at 60% for the baseline scenario, 40% for the negative scenario and 0% for the positive scenario (31 December 2022: 60% for the baseline scenario, 40% for the negative scenario and 0% for the positive scenario).

As of 30 June 2023, the market environment continues to be affected by high levels of uncertainty for both the short and the medium-term outlook. The economic consequences stemming from the geopolitical tension are continuing to unfold increasing uncertainty, pushing up inflationary pressures.

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

a) Key sources of estimation uncertainty (continued)

The economy is expected to grow in the coming quarters as energy prices moderate, foreign demand strengthens and supply bottlenecks are resolved, allowing firms to continue to work through their significant order backlogs, and as uncertainty reduces (which nonetheless continues to be significant with reference to future energy prices), including that related to the recent banking sector stress.

In the context of persisting uncertainty explained above, UniCredit has defined different macro-economic scenarios, to be used for the purposes of the evaluation processes of first half 2023 Condensed interim Consolidated financial statements.

In particular, in addition to the "Baseline" scenario, which reflects the expectations considered most likely concerning macro-economic trends, a Downturn Scenario has been outlined, the latter reflecting a downward forecast of the macroeconomic parameters and consequently in the expected profitability of the business; in light of the persistent level of uncertainty, no positive scenario was included in the approach (thus, the positive scenario was weighted at zero percent).

The baseline scenario (probabilities set at 60%): it is the main reference scenario, which embeds the following assumptions: (i) high gas storage thanks to a lower use during Autumn 2022 and diversification of supply sources; (ii) still high inflation in 2023, with a decreasing trend in 2024-2025. Price pressure substantially lifted with reference to energy costs and starting to decrease for goods and food. Nonetheless, rising wage costs contribute to keep selling prices high mainly for services; (iii) the ECB monetary policy expected to remain tight up to 2024 (3M Euribor at 350bps YE2023, 300bps YE2024);

The Negative Scenario ("Downturn scenario") has a probability set at 40%

This scenario embeds stressed macro-economic conditions, consistent with a further escalation of the Russia Ukraine conflicts and higher inflation in 2023 and subsequent years, considering renewed supply side disruption and higher energy costs with erosion of real incomes, low consumptions and investments.

In addition, the scenario assumes: (i) ECB rates lower than the Baseline scenario from year end 2023; inflation higher with an expected decline in the Medium-term, but remaining higher than the ECB target till 2025 (i.e., > 2%); (ii) Russia Sovereign Rating at CCC and Multinational corporation IRB portfolio at CCC from the last quarter 2023.

The table below summarizes the main macroeconomic indicators included in the scenarios used at 30 June 2023:

Country	Macroeconomic scenario	23Q2 Baseline IFRS9 (60%)			23Q2 Adverse IFRS9 (40%)		
		2023	2024	2025	2023	2024	2025
Romania	Real GDP, yoy % change	2.9	4.4	4.1	-0.1	0.2	3.6
Romania	Inflation (CPI) yoy, eop	7.4	5.3	3.0	14.3	3.2	3.0
Romania	Unemployment rate, %	5.5	5.6	5.4	5.7	6.9	6.5
Romania	Short term rate, eop	6.39	4.66	3.00	8.39	7.08	5.95
Romania	Long-term interest rates 10y (%)	7.5	6.2	5.0	9.9	7.2	5.5
Romania	House Price Index, yoy % change	1.0	4.0	5.0	0.0	2.6	4.4

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

Country	Macroeconomic scenario	Baseline IFRS9 22Q4 (60%)			Adverse IFRS9 22Q2 (40%)		
		2023	2024	2025	2023	2024	2025
Romania	Real GDP, yoy % change	1.0	3.2	4.0	-3.6	3.2	4.0
Romania	Inflation (CPI) yoy, eop	8.4	3.5	3.0	11.2	4.5	3.5
Romania	Unemployment rate, %	4.8	5.2	5.0	6.6	6.2	5.9
Romania	Short term rate, eop	6.38	5.33	3.00	8.47	6.80	6.13
Romania	Long-term interest rates 10y (%)	7.3	5.5	4.8	9.00	6.80	6.80
Romania	House Price Index, yoy % change	4.8	4.5	4.5	1.6	6.5	4.5

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

a) Key sources of estimation uncertainty (continued)

The forecasts in terms of changes in the “Default rate” and in the “Recovery Rate” provided by the Stress Test functions are included within the PD and LGD parameters during calibration. Credit parameters indeed, are normally calibrated over a horizon that considers the entire economic cycle (“Through-the-cycle – TTC”), it is thus necessary a “Point-in-time – PIT” calibration and a “Forward-looking – FL” one that allows to reflect in those credit parameters the current situation and the expectations about the future evolution of the economic cycle.

In this regard, the PD parameter is calculated through a normal calibration procedure, such as logistic regression, using as anchorage point an arithmetic average among the latest default rates observed on the portfolio and the insolvency rates foreseen by the Stress Test function. The PD determined in such way will lose his through the cycle nature in favor of a Point in time and Forward looking philosophy.

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

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

- transfer logic quantitative internal model developed: Lifetime PD from the reporting date is being considered together with the lifetime PD as of the origination date valid for the residual maturity from the reporting date and related quantile level in order to assess if stage 2 is applicable; quantitative model is being applied as developed on sub portfolios such as: Group wide models (multinationals, sovereign, banks, project finance) and Local Models: private individuals, corporate with turnover above 3 Mio EUR, retail micro and small corporate with turnover below 3 Mio EUR and corporate real estate. In order to properly capture the risk underlying from revolving facilities, a behavioral maturity model has been developed for revolving facilities;
- absolute elements such as the law requirements (e.g. 30 days past-due);
- additional internal evidence (e.g. Forborne classification, Watch List 2, Watch List 1 clients only in case of real estate with reimbursement directly linked with income from commercial spaces rental);
- additional criteria for stage 2 allocation such as: obligors with high PD such as 20%, threefold increase in lifetime PD (compared to origination, if PD reaches a level of more than 3 times);
- all cases with PD at reporting date lower than 0.3% would be subject to LCRE (low credit risk exception) and kept under Stage 1 if no other qualitative triggers for stage 2 are active.
- If the client is classified under managerial category Watch List 1, but only after a certain period of time since classification (e.g. when a client reaches a certain number of months after being classified in Watch List 1, trigger for stage 2 allocation will be activated).

Geopolitical overlay resulting from Russia-Ukraine crisis

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

In order to factor-in into the risks underlying the sharp rise in energy costs, inflation and interest rates for both corporate and private individuals, the geopolitical overlay was adopted during 2022 and is maintained during 2023.

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

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

a) Key sources of estimation uncertainty (continued)

As of 30 June 2023 the geopolitical overlay amount to 129.5 million RON on standalone basis and 195.7 million RON on consolidated basis, additional impact in LLP (main part being cumulated since H2 2022, followed by a recalibration applied in Jun'23 based on H1 2023 portfolio evolution), and is broken-down according to the following components:

- Corporate energy-intensive industry sectors prone to be more affected by spill over effects linked to Russia - Ukraine crisis, specifically affecting the energy supply and related price soaring.
- Retail clients, for: (i) floating rate mortgages (not having overdue instalments), given the sensitiveness in this context of increasing interest rate / inflation, and (ii) at least 1 unpaid instalment on their exposures, considered a perimeter with already difficulties in payments and as such particularly vulnerable in this specific contingency.

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

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

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

Bullet and balloon methodology

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

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

- the significant loan payment close to maturity -> the adoption of higher PD Lifetime will be prone to make higher the allocation in Stage 2. Furthermore, the EAD fractioning has been removed since these products are characterized by a significant loan payment close to maturity.
- the potential re-financing risk -> by keeping fixed the PD Lifetime over the initial full maturity, that will be representative of the lifetime risk over the full maturity of the instrument, the risk of a re-financing at portfolio level will be inherently considered.

Bullet and balloon methodology applies only to Bank standalone perimeter; it has been implemented during H2 2022 with one off impact of approx. RON 35.9 million additional ECL as of December 2022 via a dedicated overlay (with no stage reclassification). Final approach has been implemented during H1 2023 (removing the initial booked overlay and implementing granular target solution including not only additional ECL but also stage 2 reclassification as per dedicated methodology), leading to additional ECL impact of approx. RON 5.9 million.

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

a) Key sources of estimation uncertainty (continued)

Individual Assessment for Performing Exposures

Starting with June 2023, Unicredit Bank implemented a dedicated methodology for ECL individual assessment for significant exposures or for exposures included in a vulnerable risk category within the performing perimeter, in order to better capture within final ECL the characteristics of this perimeter. The additional LLP impact as of June, 2023 was of 18.5 million RON extra charge for the identified perimeter.

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.

Sensitivity analysis for assets at fair value through other comprehensive income

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

In case the market yield varies by +/-10 percent, the negative reserve recorded as at 30 June 2023 on financial assets at fair value through other comprehensive income would vary as follows:

30.06.2023 In Thousand RON	Bank	
	Market Yield -10%	Market Yield +10%
Financial assets at fair value through other comprehensive income denominated in RON	133,828	(133,828)
Financial assets at fair value through other comprehensive income denominated in EUR	57,088	(57,088)
Financial assets at fair value through other comprehensive income	190,916	(190,916)

In case the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2022 on financial assets at fair value through other comprehensive income would vary as follows:

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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.

Determining fair values

The fair value of financial instruments that are not traded in an active market (for example, unlisted treasury securities and certificates of deposit) is determined by using appropriate valuation techniques in situations where adequate valuations techniques can be identified. The valuation techniques are chosen among those commonly used by market participants, once it has been demonstrated they provide reliable estimates of prices obtained in actual market transactions, while maximizing the use of observable market data. The Group uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at each reporting date. For situations where adequate valuations techniques cannot be identified, the fair value of the financial instruments that are not traded on an active market are estimated to be equal to their carrying amount.

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

30.06.2023 In Thousand RON	Listed*	Group Unlisted	Total	Listed*	Bank Unlisted	Total
Debt securities at fair value through other comprehensive income	1,750,099	190,368	1,940,467	1,750,099	190,368	1,940,467
Equity instruments at fair value through other comprehensive income	-	22,095	22,095	-	19,749	19,749
Total assets held at fair value through other comprehensive income	1,750,099	212,463	1,962,562	1,750,099	210,117	1,960,216

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

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

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

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

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

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

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

The table below presents the fair value of financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorized as of 30 June 2023:

30.06.2023 In RON thousands	Level 1	Level 2	Level 3	Group Total fair value	Total book value
Trading assets					
Financial assets held for trading at fair value through profit or loss	47,502	105,999	328	153,829	153,829
Derivatives financial instruments designated as hedging instruments	-	303,655	-	303,655	303,655
Total trading assets	47,502	409,654	328	457,484	457,484
Financial assets at fair value through other comprehensive income					
Debt instruments	1,694,881	245,586	-	1,940,467	1,940,467
Equity instruments (minority holdings)	-	-	22,095	22,095	22,095
Total assets at fair value through other comprehensive income	1,694,881	245,586	22,095	1,962,562	1,962,562
Non-transactional financial assets at fair value mandatorily through profit or loss					
VISA Shares	-	39,602	13,881	53,483	53,483
Total assets at fair value through profit or loss	-	39,602	13,881	53,483	53,483
Liabilities designated for trading and for hedging					
Financial liabilities at fair value through profit or loss	-	105,280	330	105,610	105,610
Derivatives financial instruments designated at hedging instruments	-	248,797	-	248,797	248,797
Total liabilities designated for trading and for hedging	-	354,077	330	354,407	354,407

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

The table below presents the fair value of financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorized as of 31 December 2022:

31.12.2022 In RON thousands	Level 1	Level 2	Level 3	Group Total fair value	Total book value
Trading assets					
Financial assets held for trading at fair value through profit or loss	36,170	130,812	7	166,989	166,989
Derivatives financial instruments designated as hedging instruments	-	310,229	-	310,229	310,229
Total trading assets	36,170	441,041	7	477,218	477,218
Financial assets at fair value through other comprehensive income					
Debt instruments	1,691,950	213,410	-	1,905,360	1,905,360
Equity instruments (minority holdings)	-	-	17,158	17,158	17,158
Total assets at fair value through other comprehensive income	1,691,950	213,410	17,158	1,922,518	1,922,518
Non-transactional financial assets at fair value mandatorily through profit or loss					
VISA Shares	-	35,793	11,932	47,725	47,725
Total assets at fair value through profit or loss	-	35,793	11,932	47,725	47,725
Liabilities designated for trading and for hedging					
Financial liabilities at fair value through profit or loss	-	176,957	9	176,966	176,965
Derivatives financial instruments designated at hedging instruments	-	262,514	-	262,514	262,514
Total liabilities designated for trading and for hedging	-	439,471	9	439,480	439,479

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

The table below presents an analysis of the movement of financial instruments held at fair value classified as Level 3, at the end of the reporting period 30 June 2023:

30.06.2023 In RON thousands	Balance at 31 December 2022	Gains / Losses from instruments at fair value through profit and loss	Group Gains / Losses from instruments measured at fair value through other comprehensive income	Additions	Disposals (-)	Foreign Currency Exchange Effect	Balance at 30 June 2023
Financial assets held for trading	7	(89)	-	1,963	(1,553)	-	328
Financial assets held for trading at fair value through profit or loss	7	(89)	-	1,963	(1,553)	-	328
Non-transactional financial assets at fair value mandatorily through profit or loss	11,932	2,103	-	-	-	(154)	13,881
VISA Shares	11,932	2,103	-	-	-	(154)	13,881
Financial assets at fair value through other comprehensive income	17,158	-	4,937	-	-	-	22,095
Equity instruments (minority holdings)	17,158	-	4,937	-	-	-	22,095
Total assets	29,097	2,014	4,937	1,963	(1,553)	(154)	36,304
Financial liabilities designated for trading	9	(78)	-	1,968	(1,569)	-	330
Derivatives financial instruments	9	(78)	-	1,968	(1,569)	-	330
Total liabilities	9	(78)	-	1,968	(1,569)	-	330

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

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

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

The table below presents the fair value of financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorized as of 30 June 2023:

30.06.2023 In RON thousands	Bank			Total fair value	Total book value
	Level 1	Level 2	Level 3		
Trading assets					
Financial assets held for trading at fair value through profit or loss	47,502	105,999	328	153,829	153,829
Derivatives financial instruments designated as hedging instruments	-	303,655	-	303,655	303,655
Total trading assets	47,502	409,654	328	457,484	457,484
Financial assets at fair value through other comprehensive income					
Debt instruments	1,694,881	245,586	-	1,940,467	1,940,467
Equity instruments (minority holdings)	-	-	19,749	19,749	19,749
Total assets at fair value through other comprehensive income	1,694,881	245,586	19,749	1,960,216	1,960,216
Non-transactional financial assets at fair value mandatorily through profit or loss					
VISA Shares	-	39,602	13,881	53,483	53,483
Total assets at fair value through profit or loss	-	39,602	13,881	53,483	53,483
Liabilities designated for trading and for hedging					
Financial Liabilities at fair value through profit or loss	-	105,280	330	105,610	105,610
Derivatives financial instruments designated as hedging instruments	-	248,797	-	248,797	248,797
Total liabilities designated for trading and hedging	-	354,077	330	354,407	354,407

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

The table below presents the fair value of financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorized as of 31 December 2022:

31.12.2022 In RON thousands	Level 1	Level 2	Bank Level 3	Total fair value	Total book value
Trading assets					
Financial assets held for trading at fair value through profit or loss	36,170	130,812	7	166,989	166,989
Derivatives financial instruments designated as hedging instruments	-	310,229	-	310,229	310,229
Total trading assets	36,170	441,041	7	477,218	477,218
Financial assets at fair value through other comprehensive income					
Debt instruments	1,691,950	213,410	-	1,905,360	1,905,360
Equity instruments (minority holdings)	-	-	14,812	14,812	14,812
Total assets at fair value through other comprehensive income	1,691,950	213,410	14,812	1,920,172	1,920,172
Non-transactional financial assets at fair value mandatorily through profit or loss					
VISA Shares	-	35,793	11,932	47,725	47,725
Total assets at fair value through profit or loss	-	35,793	11,932	47,725	47,725
Liabilities designated for trading and for hedging					
Financial Liabilities at fair value through profit or loss	-	176,957	9	176,966	176,966
Derivatives financial instruments designated as hedging instruments	-	262,514	-	262,514	262,514
Total liabilities designated for trading and hedging	-	439,471	9	439,480	439,480

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

The table below presents an analysis of the movement of financial instruments held at fair value classified as Level 3, at the end of the reporting period 30 June 2023:

30.06.2023 In RON thousands	Balance at 31 December 2022	Gains / Losses from instruments at fair value through profit and loss	Bank Gains / Losses from instruments measured at fair value through other comprehensive income	Additions	Disposals (-)	Foreign Currency Exchange Effect	Balance at 30 June 2023
Financial assets held for trading	7	(89)	-	1,963	(1,553)	-	328
Financial assets held for trading at fair value through profit or loss	7	(89)	-	1,963	(1,553)	-	328
Non-transactional financial assets at fair value mandatorily through profit or loss	11,932	2,103	-	-	-	(154)	13,881
VISA Shares	11,932	2,103	-	-	-	(154)	13,881
Financial assets at fair value through other comprehensive income	14,812	-	4,937	-	-	-	19,749
Equity instruments (minority holdings)	14,812	-	4,937	-	-	-	19,749
Total assets	26,751	2,014	4,937	1,963	(1,553)	(154)	33,958
Financial liabilities designated for trading	9	(78)	-	1,968	(1,569)	-	330
Derivatives financial instruments	9	(78)	-	1,968	(1,569)	-	330
Total liabilities	9	(78)	-	1,968	(1,569)	-	330

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

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

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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.

30.06.2023							
In RON thousands	Fair value level	At fair value through profit or loss - held for trading	At amortized cost	Group Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	3	-	15,813,878	-	-	15,813,878	15,813,878
Financial assets at fair value through profit or loss	1	207,312	-	-	-	207,312	207,312
Derivatives assets designated as hedging instruments	2	303,655	-	-	-	303,655	303,655
Loans and advances to banks at amortized cost	3	-	205,254	-	-	205,254	201,036
Loans and advances to customers at amortized cost	3	-	34,248,866	-	-	34,248,866	33,567,255
Net lease receivables	3	-	4,051,165	-	-	4,051,165	3,887,900
Debt instruments at amortized cost	1	-	8,892,877	-	-	8,892,877	8,243,348
Financial assets at fair value through other comprehensive income	1	-	-	1,962,562	-	1,962,562	1,962,562
Other financial assets at amortized cost	3	-	419,526	-	-	419,526	419,526
Total financial assets		510,967	63,631,566	1,962,562	-	66,105,095	64,606,472
Financial liabilities at fair value through profit or loss	1	105,610	-	-	-	105,610	105,610
Derivatives liabilities designated as hedging instruments	2	248,797	-	-	-	248,797	248,797
Deposits from banks	3	-	870,248	-	-	870,248	869,356
Loans from banks, including subordinated liabilities	3	-	6,925,359	-	-	6,925,359	6,923,742
Debt securities issued	1	-	3,535,074	-	-	3,535,074	3,535,074
Deposits from customers	3	-	45,723,575	-	-	45,723,575	45,676,637
Other financial liabilities at amortized cost	3	-	1,126,506	-	-	1,126,506	1,126,506
Lease liabilities	3	-	204,449	-	-	204,449	204,449
Total financial liabilities		354,407	58,385,211	-	-	58,739,618	58,690,171

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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.

31.12.2022							
In RON thousands	Fair value level	At fair value through profit or loss - held for trading	At amortized cost	Group Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	3	-	16,456,169	-	-	16,456,169	16,456,169
Financial assets at fair value through profit or loss	1	214,714	-	-	-	214,714	214,714
Derivatives assets designated as hedging instruments	2	310,229	-	-	-	310,229	310,229
Loans and advances to banks at amortized cost	3	-	399,455	-	-	399,455	386,812
Loans and advances to customers at amortized cost	3	-	32,849,251	-	-	32,849,251	31,820,856
Net lease receivables	3	-	3,788,693	-	-	3,788,693	3,611,692
Debt instruments at amortized cost	1	-	8,856,966	-	-	8,856,966	7,766,001
Financial assets at fair value through other comprehensive income	1	-	-	1,922,518	-	1,922,518	1,922,518
Other financial assets at amortized cost	3	-	319,475	-	-	319,475	319,475
Total financial assets		524,943	62,670,009	1,922,518	-	65,117,470	62,808,466
Financial liabilities at fair value through profit or loss	1	176,965	-	-	-	176,965	176,965
Derivatives liabilities designated as hedging instruments	2	262,514	-	-	-	262,514	262,514
Deposits from banks	3	-	1,050,418	-	-	1,050,418	1,050,131
Loans from banks, including subordinated liabilities	3	-	6,599,536	-	-	6,599,536	6,599,074
Debt securities issued	1	-	3,502,834	-	-	3,502,834	3,502,834
Deposits from customers	3	-	45,310,940	-	-	45,310,940	45,298,545
Other financial liabilities at amortized cost	3	-	1,307,973	-	-	1,307,973	1,307,973
Lease liabilities	3	-	198,403	-	-	198,403	198,403
Total financial liabilities		439,479	57,970,104	-	-	58,409,583	58,396,439

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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

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

30.06.2023				Bank			
In RON thousands	Fair value level	At fair value through profit or loss - held for trading	At amortized cost	Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	3	-	15,813,102	-	-	15,813,102	15,813,102
Financial assets at fair value through profit or loss	1	207,312	-	-	-	207,312	207,312
Derivatives assets designated as hedging instruments	2	303,655	-	-	-	303,655	303,655
Loans and advances to banks at amortized cost	3	-	205,254	-	-	205,254	201,036
Loans and advances to customers at amortized cost	3	-	32,253,521	-	-	32,253,521	31,590,579
Net lease receivables	3	-	9,839	-	-	9,839	9,839
Debt instruments at amortized cost	1	-	8,892,877	-	-	8,892,877	8,243,348
Financial assets at fair value through other comprehensive income	1	-	-	1,960,216	-	1,960,216	1,960,216
Other financial assets at amortized cost	3	-	323,973	-	-	323,973	323,973
Total financial assets		510,967	57,498,566	1,960,216	-	59,969,749	58,653,060
Financial liabilities at fair value through profit or loss	1	105,610	-	-	-	105,610	105,610
Derivatives liabilities designated as hedging instruments	2	248,797	-	-	-	248,797	248,797
Deposits from banks	3	-	870,248	-	-	870,248	869,356
Loans from banks, including subordinated liabilities	3	-	1,581,980	-	-	1,581,980	1,580,360
Debt securities issued	1	-	3,535,074	-	-	3,535,074	3,535,074
Deposits from customers	3	-	45,829,242	-	-	45,829,242	45,782,305
Other financial liabilities at amortized cost	3	-	1,033,579	-	-	1,033,579	1,033,579
Lease liabilities	3	-	200,421	-	-	200,421	200,421
Total financial liabilities		354,407	53,050,544	-	-	53,404,951	53,355,502

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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

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

31.12.2022				Bank			
In RON thousands	Fair value level	At fair value through profit or loss - held for trading	At amortized cost	Financial assets held at fair value through other comprehensive income	Designated at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	3	-	16,455,940	-	-	16,455,940	16,455,940
Financial assets at fair value through profit or loss	1	214,714	-	-	-	214,714	214,714
Derivatives assets designated as hedging instruments	2	310,229	-	-	-	310,229	310,229
Loans and advances to banks at amortized cost	3	-	399,455	-	-	399,455	386,812
Loans and advances to customers at amortized cost	3	-	31,054,544	-	-	31,054,544	30,072,629
Net lease receivables	3	-	11,342	-	-	11,342	11,342
Debt instruments at amortized cost	1	-	8,856,966	-	-	8,856,966	7,766,001
Financial assets at fair value through other comprehensive income	1	-	-	1,920,172	-	1,920,172	1,920,172
Other financial assets at amortized cost	3	-	250,620	-	-	250,620	250,620
Total financial assets		524,943	57,028,867	1,920,172	-	59,473,982	57,388,459
Financial liabilities at fair value through profit or loss	1	176,966	-	-	-	176,966	176,966
Derivatives liabilities designated as hedging instruments	2	262,514	-	-	-	262,514	262,514
Deposits from banks	3	-	1,050,418	-	-	1,050,418	1,050,131
Loans from banks, including subordinated liabilities	3	-	1,686,090	-	-	1,686,090	1,685,629
Debt securities issued	1	-	3,502,834	-	-	3,502,834	3,502,834
Deposits from customers	3	-	45,404,198	-	-	45,404,198	45,391,803
Other financial liabilities at amortized cost	3	-	1,239,449	-	-	1,239,449	1,239,449
Lease liabilities	3	-	193,362	-	-	193,362	193,362
Total financial liabilities		439,480	53,076,351	-	-	53,515,831	53,502,688

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

7. NET INTEREST INCOME

In RON thousands	Group		Bank	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Interest income				
Interest and similar income arising from:				
Loans and advances to customers*	1,260,382	790,731	1,118,503	661,178
Treasury bills and bonds at fair value through other comprehensive income	41,371	36,028	41,371	36,028
Debt instruments at amortized cost	175,486	158,076	175,486	158,076
Current accounts and placements with banks	274,779	25,741	274,778	25,737
Hedging derivatives**	5,209	-	5,209	-
Negative interest from financial liabilities	-	124	-	124
Other interest income	-	2,467	-	2,467
Total interest income calculated using the effective interest method	1,757,227	1,013,167	1,615,347	883,610
Other interest income - Net Lease receivables	106,519	66,672	8	-
Total interest income	1,863,746	1,079,839	1,615,355	883,610
Interest expense				
Interest expense and similar charges arising from:				
Deposits from customers	533,908	171,593	534,943	171,787
Loans from banks	163,705	59,167	52,845	18,885
Deposits from banks	10,377	4,865	10,377	4,865
Repurchase agreements	92	190	92	190
Interest related to the bonds issued	137,323	28,258	137,323	18,371
Hedging derivatives**	19,125	-	19,125	-
Negative interest on financial assets	-	15,765	-	15,765
Debt from leasing operations	2,174	400	1,885	287
Total interest expense	866,704	280,238	756,590	230,150
Net interest income	997,042	799,601	858,765	653,460

*) Interest income for the six months period ended at 30 June 2023 includes expenses with interest adjustments related to depreciated financial assets in the total amount of RON thousands 13,200 (30 June 2022: RON thousands 15,094) for the Group and RON thousands 8,000 (30 June 2022: RON thousands 8,538) for the Bank..

**) As of June 30 2022, interest income in amount of RON thousands 4,493 and interest expense in amount of RON thousands -7,341, which represent a total net loss amount of RON thousands -2,848 were reflected under "Net income from instruments at fair value through profit and loss".

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

8. NET FEES AND COMMISSIONS INCOME

In RON thousands	Group		Bank	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Fees and commissions income				
Payments transactions	235,634	200,207	235,634	200,207
Risk participation fee (refer to Note 27)	11	19	11	19
Guarantees and letters of credit	23,730	19,553	23,730	19,553
Loan administration	32,586	20,827	18,267	7,949
Commissions from other types of financial services	58,012	43,056	72,131	55,620
Commissions from insurance intermediation	35,527	30,783	5,346	4,246
Commissions on securities transactions	3,331	2,446	3,331	2,446
Total fees and commission income	388,831	316,891	358,450	290,040
Out of which commissions from contracts with clients according to IFRS 15	350,329	288,763	320,825	262,519
Fees and commission expense				
Inter-banking fees	74,895	55,322	74,839	55,382
Payments transactions	46,469	43,422	43,536	41,271
Commitments and similar fees	161	243	161	243
Intermediary agents fees	5,631	2,462	2,806	2,054
Other	15,779	9,516	13,491	5,500
Total fees and commissions expense	142,935	110,965	134,833	104,450
Net fees and commissions income	245,896	205,926	223,617	185,590

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

In RON thousands	Group		Bank	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Net gains from foreign exchange operations (including FX derivatives)	188,929	155,651	188,991	155,651
Net gains / (losses) from other interest derivatives*	2,949	520	2,949	520
Net income / (losses) from trading bonds	5,157	(47,714)	5,157	(47,714)
Net gains / (losses) from other derivatives	(66)	779	(66)	779
Net income from trading financial instruments held at fair value through profit or loss	196,969	109,236	197,031	109,236
Net gains from non-transactional financial instruments held at fair value through profit or loss	5,978	(4,572)	5,978	(4,572)
Net income from financial instruments held at fair value through profit or loss	202,947	104,664	203,009	104,664

*) As of June 30 2022, "Net gains / (losses) from other interest derivatives" position includes net interest loss in total amount of RON thousands -2,848. In 2023, interest income and interest expense on derivatives was reflected under "Net interest income".

10. PERSONNEL EXPENSES

In RON thousands	Group		Bank	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Wages and salaries	265,183	239,156	234,595	211,354
Social security charges, unemployment fund and health fund	8,394	7,507	7,547	6,738
Other (income)/costs	5,083	3,580	3,888	2,233
Total	278,660	250,243	246,030	220,325

The number of employees of the Group at 30 June 2023 was 3,328 (31 December 2022: 3,365). The number of employees of the Bank at 30 June 2023 was 2,987 (31 December 2022: 3,004).

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

11. OTHER ADMINISTRATIVE COSTS

in RON thousands	Group		Bank	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Office space expenses (rental, maintenance, other)	30,492	30,334	28,971	27,528
IT services	85,366	75,359	82,199	73,412
Contributions to resolution funds and deposit guarantee schemes	59,998	76,432	59,998	76,432
Other taxes and duties	4,375	2,985	4,375	2,985
Communication expenses	11,673	12,270	10,515	11,184
Advertising and promotional expenses	19,118	12,595	14,418	9,015
Consultancy, legal and other professional services	5,925	4,207	3,439	2,450
Materials and consumables	5,207	4,632	4,529	3,976
Personnel training and recruiting	1,917	1,273	1,463	912
Insurance expenses	2,276	2,384	2,204	2,023
Other	5,907	10,300	3,608	8,672
Total	232,254	232,771	215,719	218,589

12. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

In RON thousands	Group		Bank	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Net provision charges for loans and advances to customers (Note 16)	214,547	144,903	190,137	104,344
Net provision charges for banks	63	(393)	59	(385)
Net provision charges for securities	86	(1,103)	86	(1,103)
Loans written-off	272	386	272	386
Net provision charges for lease receivables (Note 17)	855	14,710	-	-
Recoveries from loans previously written-off	(26,360)	(35,545)	(26,360)	(35,545)
Net provisions charges for other financial instruments	1,980	1,837	4,425	2,306
Net provision charges for off-balance loan commitments and contingencies	(66,445)	(19,729)	(65,587)	(19,737)
Net Impairment losses on financial instruments	124,998	105,066	103,032	50,266

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

13. INCOME TAX

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

In RON thousands	Group			
		30.06.2023		30.06.2022
Profit/ (Loss) before tax		781,508		486,920
Income tax calculated by applying regulatory tax rate (16%)	-16.0%	(125,041)	-16.0%	(77,907)
Additional income tax expense - previous years	-0.5%	(3,660)	-1.5%	(7,427)
Tax effect of non-deductible expenses	-4.8%	(37,640)	-7.5%	(36,452)
Tax effect of non-taxable income	5.3%	41,636	7.1%	34,336
Fiscal credit	3.4%	26,747	1.5%	7,121
Total income tax recalculated	-12.5%	(97,958)	-16.5%	(80,329)
Income tax as per income statement	-15.1%	(117,643)	-16.7%	(81,538)
Difference		(19,685)		(1,209)
Deferred tax		(19,685)		(1,209)

In RON thousands	Bank			
		30.06.2023		30.06.2022
Profit/ (Loss) before tax		691,532		408,119
Income tax calculated by applying regulatory tax rate (16%)	-16.0%	(110,645)	-16.0%	(65,299)
Additional income tax expense - previous years	-0.5%	(3,715)	-0.9%	(3,800)
Tax effect of non-deductible expenses	-4.7%	(32,736)	-7.0%	(28,435)
Tax effect of non-taxable income	5.9%	40,900	7.4%	30,093
Fiscal credit	1.5%	10,692	1.6%	6,548
Total income tax recalculated	-13.8%	(95,504)	-14.9%	(60,893)
Income tax as per income statement	-15.8%	(109,142)	-16.4%	(66,893)
Difference		(13,638)		(6,000)
Deferred tax		(13,638)		(6,000)

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

14. CASH AND CASH EQUIVALENTS

In RON thousands	Group		Bank	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Accounts at NBR	4,454,420	7,090,463	4,454,420	7,090,463
Cash (including cash in ATMs)	1,223,489	1,706,022	1,223,489	1,706,022
Short term Money Market placements with banks	10,049,624	7,537,630	10,049,624	7,537,630
Current balances with other banks	89,295	124,937	88,518	124,707
Total gross value	15,816,828	16,459,052	15,816,051	16,458,822
Impairment allowance	(2,950)	(2,883)	(2,949)	(2,882)
Total net book value	15,813,878	16,456,169	15,813,102	16,455,940

The balance of current accounts with the National Bank of Romania represents the minimum reserve maintained in accordance with the National Bank of Romania requirements. As of 30 June 2023, the mandatory minimum reserve ratio was 8% (31 December 2022: 8%) for funds raised in RON and 5% (December 31, 2022: 5%) for funds in foreign currency with residual maturity of less than 2 years, at the end of the observation period. For liabilities having residual maturity over 2 years at the end of the observation period, without reimbursement, conversion or early retirement clauses, mandatory minimum reserve ratio was set at 0% (31 December 2022: 0%).

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

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

In RON thousands	Group		Bank	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Derivatives	106,328	130,819	106,328	130,819
Investment securities held for trading	47,501	36,170	47,501	36,170
VISA Shares*	53,483	47,725	53,483	47,725
Total	207,312	214,714	207,312	214,714

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

In RON thousands	Group		Bank	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Equity instruments (Class A)	39,602	35,793	39,602	35,793
Debt instruments (Class C)	13,881	11,932	13,881	11,932
Total VISA Shares	53,483	47,725	53,483	47,725

In RON thousands	Group		Bank	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Investment-grade	199,591	213,177	199,591	213,177
No rating*	7721	1,537	7721	1,537
Total	207,312	214,714	207,312	214,714

*) The majority of these represent financial assets at fair value through profit or loss (derivatives contracts) for which the counterparties are Romanian companies.

The analysis is based on the ratings issued by Standard & Poor, if available, or by Moody's and Fitch converted to the nearest equivalent on the Standard & Poor rating scale..

The investment-grade category includes financial assets at fair value through profit or loss (derivatives contracts, investment securities held for trading, VISA shares) for which the counterparties have the following ratings: A+, A, A-, BBB+, BBB, BBB-, BAA1 and BAA3.

The No-rating category includes financial assets at fair value through profit or loss for which the counterparties have no ratings.

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

15. ACTIVE/DATORII FINANCIARE LA VALOAREA JUSTA PRIN CONTUL DE PROFIT SAU PIERDERE (continuare)

(ii) Derivative assets/ liabilities

Financial assets and liabilities at fair value through profit or loss at 30 June 2023 are summarized as follows:

In RON thousands	Notional amount	Group 30.06.2023		Bank 30.06.2023		
		Present value Assets	Liabilities	Notional amount	Present value Assets	Liabilities
Foreign currency Derivatives						
Forward contracts	6,386,868	17,850	12,034	6,386,868	17,850	12,034
Purchased options	121,548	361	-	121,548	361	-
Sold options	-	-	363	-	-	363
Total foreign currency derivatives	6,508,416	18,211	12,397	6,508,416	18,211	12,397
Interest rates derivatives						
Interest Rate Swaps	2,484,311	86,207	91,297	2,484,311	86,207	91,297
Purchased options	114,000	1,910	-	114,000	1,910	-
Sold options	114,000	-	1,916	114,000	-	1,916
Total interest rate derivatives	2,712,311	88,117	93,213	2,712,311	88,117	93,213
Total	9,220,727	106,328	105,610	9,220,727	106,328	105,610

Financial assets and liabilities at fair value through profit or loss at 31 December 2022 are summarized as follows:

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

16. LOANS AND ADVANCES TO CUSTOMERS

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

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

in RON thousands	Group		Of which: POCI* financial assets	30.06.2023
	Stage 1 and Stage 2	Stage 3		
Mortgages	6,657,654	199,068	-	6,856,722
Personal loans and car loans	2,521,062	71,246	-	2,592,308
Credit cards and overdraft	264,453	9,381	-	273,834
Corporate loans	22,953,173	631,955	5,698	23,585,128
Retail Micro loans	1,903,042	76,632	-	1,979,674
Factoring, Discounting, Forfaiting	704,243	114,822	-	819,065
Loans and advances to customers before provisions	35,003,627	1,103,104	5,698	36,106,731
Less provision for impairment losses on loans	(1,017,776)	(840,089)	(889)	(1,857,865)
Net loans and advances to customers	33,985,851	263,015	4,809	34,248,866

* Purchased or Originated Credit Impaired - POCI

in RON thousands	Group		Of which: POCI* financial assets	31.12.2022
	Stage 1 and Stage 2	Stage 3		
Mortgages	6,481,444	208,712	-	6,690,156
Personal loans and car loans	2,202,221	73,934	-	2,276,155
Credit cards and overdraft	244,627	11,293	-	255,920
Corporate loans	22,148,524	631,317	9,161	22,779,841
Retail Micro loans	1,749,990	101,510	-	1,851,500
Factoring, Discounting, Forfaiting	736,431	113,185	-	849,616
Loans and advances to customers before provisions	33,563,237	1,139,951	9,161	34,703,188
Less provision for impairment losses on loans	(994,520)	(859,417)	(812)	(1,853,937)
Net loans and advances to customers	32,568,717	280,534	8,349	32,849,251

* Purchased or Originated Credit Impaired - POCI

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

16. LOANS AND ADVANCES TO CUSTOMERS (continued)

The Bank's commercial lending is concentrated on companies and individuals located in Romania mainly.

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

in RON thousands	Bank		Of which: POCI* financial assets	30.06.2023
	Stage 1 and Stage 2	Stage 3		
Mortgages	6,657,654	199,068	-	6,856,722
Personal loans and car loans	11,143	2,514	-	13,657
Credit cards and overdraft	116,953	6,281	-	123,234
Corporate loans	24,718,665	631,955	5,698	25,350,620
Retail Micro loans	614,695	51,738	-	666,433
Factoring, Discounting, Forfaiting	704,243	114,822	-	819,065
Loans and advances to customers before provisions	32,823,353	1,006,378	5,698	33,829,731
Less provision for impairment losses on loans	(804,368)	(771,842)	(889)	(1,576,210)
Net loans and advances to customers	32,018,985	234,536	4,809	32,253,521

* Purchased or Originated Credit Impaired - POCI

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

* Purchased or Originated Credit Impaired - POCI

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

16. LOANS AND ADVANCES TO CUSTOMERS (continued)

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

in RON thousands	Group	
	30.06.2023	30.06.2022
Balance at the 31st of December	1,853,937	1,869,059
Net impairment charge for the period (Note 12)	214,547	144,903
Foreign currency exchange effect	2,696	717
Release of allowances for impairment of loans written-off and loans sold	(233,667)	(118,975)
Other adjustments	20,352	21,063
Final balance at 30 June	1,857,865	1,916,767

in RON thousands	Bank	
	30.06.2023	30.06.2022
Balance at the 31st of December	1,579,233	1,605,568
Net impairment charge for the period (Note 12)	190,137	104,345
Foreign currency exchange effect	2,630	745
Release of allowances for impairment of loans written-off and loans sold	(216,078)	(85,258)
Other adjustments	20,288	20,961
Final balance at 30 June	1,576,210	1,646,361

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

17. NET FINANCIAL LEASE RECEIVABLES

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

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

in RON thousands	UCLC (Unicredit Leasing Corporation)			
	30.06.2023			
	Total, of which	Stage 1	Stage 2	Stage 3
Lease receivables up to one year, gross	1,645,074	1,383,785	144,369	116,920
Lease receivables 1-2 years, gross	1,283,840	1,119,974	112,648	51,218
Lease receivables 2-3 years, gross	912,879	799,171	76,527	37,181
Lease receivables 3-4 years, gross	546,614	474,230	45,502	26,882
Lease receivables 4-5 years, gross	277,885	239,134	24,683	14,068
Lease receivables over 5 years, gross	167,649	77,388	28,375	61,886
Total contractual undiscounted lease payments receivable	4,833,941	4,093,682	432,104	308,155
Unearned finance income (future interest)	(490,961)	(393,559)	(48,943)	(48,459)
Total gross lease investment net of future interest and unguaranteed residual value	4,342,980	3,700,123	383,161	259,696
Impairment allowance for lease receivables	(291,815)	(86,709)	(23,004)	(182,102)
Total net lease investment	4,051,165	3,613,414	360,157	77,594

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

17. NET FINANCIAL LEASE RECEIVABLES (continued)

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

UCLC (Unicredit Leasing Corporation)			
in RON thousands		30.06.2023	30.06.2022
Balance at the 31st of December		291,572	276,006
Net impairment charge for the period (Note 12)		855	14,710
Foreign currency exchange effect		388	(147)
Release of allowances for impairment of loans written-off and loans sold		(5,259)	(4,967)
Unwinding effect on provisions		4,259	1,928
Balance at 30 June		291,815	287,529

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

in RON thousands	UCLC (Unicredit Leasing Corporation)			Of which: POCI* financial assets	30.06.2023
	Stage 1 and Stage 2	Stage 3			
Leasing receivables - real estate assets financed	220,215	98,812	-	-	319,027
Other leasing receivables - legal entities and retail:					
Leasing receivables - vehicles financed	2,750,784	87,428	-	-	2,838,212
Leasing receivables - equipment for agriculture financed	225,789	8,714	-	-	234,503
Leasing receivables - equipment for construction financed	254,026	7,785	-	-	261,811
Leasing receivables - other equipment financed	632,470	56,957	-	-	689,427
Leasing receivables before provisions	4,083,284	259,696	-	-	4,342,980
Less impairment allowance for lease receivables	(109,713)	(182,102)	-	-	(291,815)
Net lease receivables	3,973,571	77,594	-	-	4,051,165

* Purchased or Originated Credit Impaired - POCI

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

* Purchased or Originated Credit Impaired - POCI

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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	Group		Bank	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Investment securities held at fair value through other comprehensive income	1,940,467	1,905,360	1,940,467	1,905,360
Equity investments (minority holdings)	22,095	17,158	19,749	14,812
Total	1,962,562	1,922,518	1,960,216	1,920,172

Investment securities held at fair value through other comprehensive income

As at 30 June 2023, the Group included in investment securities held at fair value through other comprehensive income bonds, T-bills issued by Romanian Government, bonds issued by the municipality of Bucharest and bonds issued by the Ministry of Public Finance.

in RON thousands	Group		Bank	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Investment-grade	1,940,467	1,905,360	1,940,467	1,905,360
No rating*	22,095	17,158	19,749	14,812
Total	1,962,562	1,922,518	1,960,216	1,920,172

*) It represent the equity investments (minority holdings) in companies incorporated in Romania.

The analysis is based on the ratings issued by Standard & Poor, if available, or by Moody's and Fitch converted to the nearest equivalent on the Standard & Poor rating scale.

The investment-grade category includes financial assets at fair value through other comprehensive income for which the debtor has the following ratings: A+, A, A-, BBB+, BBB, BBB-, BAA1 and BAA3.

The No-rating category includes financial assets at fair value through other comprehensive income for which the debtor has no ratings.

As at 30 June 2023 and 31 December 2022, there are no pledged on the investment securities held at fair value through other comprehensive income.

The Group transferred to profit or loss during 2023 an amount of RON thousands -3,897 (30 June 2022: RON thousands 0) 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 2023 and 31 December 2022:

30.06.2023	Group		
In RON thousands	Nature of business	% Interest held	Fair value
UniCredit Leasing Fleet Management	Operational leasing	9.99%	2,346
Transfond SA	Other financial services	8.04%	17,334
Biroul de Credit SA	Financial services	6.80%	2,225
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	190
Total			22,095

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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

31.12.2022	Group		
In RON thousands	Nature of business	% Interest held	Fair value
UniCredit Leasing Fleet Management	Operational leasing	9.99%	2,346
Transfond SA	Other financial services	8.04%	12,728
Biroul de Credit SA	Financial services	6.80%	1,678
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	406
Total			17,158

The above mentioned companies are incorporated in Romania.

The Bank held the following unlisted equity investments classified at fair value through other comprehensive income as at 30 June 2023 and 31 December 2022:

30.06.2023	Bank		
In RON thousands	Nature of business	% Interest held	Fair value
Transfond SA	Other financial services	8.04%	17,334
Biroul de Credit SA	Financial services	6.80%	2,225
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	190
Total			19,749

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

The above mentioned companies are incorporated in Romania.

19. FINANCIAL ASSETS (DEBT INSTRUMENTS) AT AMORTIZED COST

As at 30 June 2023, the Group and the Bank held debt instruments at amortized cost representing bonds and T-bills issued by Romanian Government in amount of RON thousands 8,892,877 (31 December 2022: RON thousands 8,856,966).

As at 30 June 2023, the debt instruments at amortized cost are pledged in amount of RON thousands 374,611 (31 December 2022: RON thousands 416,675).

As at 30 June 2023 and 31 December 2022 the Group and the Bank held debt instruments at amortized cost that can be included in the investment-grade category (debt instruments issued by debtors which have the following ratings: A+, A, A-, BBB+, BBB, BBB-, BAA1 and BAA3 issued by Standard & Poor, if available, or by Moody's and Fitch converted to the nearest equivalent on the Standard & Poor rating scale).

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

20. DEPOSITS FROM BANKS

In RON thousands	Group		Bank	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Term deposits	445,528	416,407	445,528	416,407
Sight deposits	424,720	634,011	424,720	634,011
Total	870,248	1,050,418	870,248	1,050,418

21. LOANS FROM BANKS

In RON thousands	Group		Bank	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Commercial Banks	5,173,402	4,731,665	-	-
Multilateral development banks	802,640	922,267	741,858	849,329
Total	5,976,042	5,653,932	741,858	849,329

As at 30 June 2023, the final maturity of loans varies from November 2023 to October 2027.

UniCredit Consumer Financing IFN S.A. made new drawdowns amounting 89 million EUR equivalent during the first half of 2023.

UniCredit Leasing Corporation IFN S.A. disbursed EUR 285 million during the first half of 2023.

UniCredit Bank S.A. did not make during the first half of 2023 any new withdrawals.

22. DEPOSITS FROM CUSTOMERS

In RON thousands	Group		Bank	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Term deposits	15,863,694	13,044,326	15,863,694	13,064,379
Payable on demand	28,897,474	31,304,532	29,004,283	31,377,356
Collateral deposits	962,402	962,041	961,260	962,422
Certificates of deposits	5	41	5	41
Total	45,723,575	45,310,940	45,829,242	45,404,198

23. SUBORDINATED LIABILITIES

In RON thousands	Group		Bank	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
UniCredit SPA	840,122	836,761	840,122	836,761
UniCredit Bank Austria AG	109,195	108,843	-	-
Total	949,317	945,604	840,122	836,761

As of 30 June 2023, the following agreements were in place:

- subordinated debt from UniCredit SPA, Italy, in amount of in eq. RON thousands 240,725 (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 595,608 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 109,195 (EUR thousands 22,000), with maturity in July 2024, beneficiary Unicredit Leasing Corporation IFN S.A.;

Interest accrued amounts to eq. RON thousands 3,789 (EUR thousands 763) for the Group/Bank.

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

24. PROVISIONS

In RON thousands	Group		Bank	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Provision for financial guarantees	95,963	150,028	100,108	155,432
Provision for legal disputes	12,010	13,723	10,038	11,714
Provision for off-balance commitments	70,156	80,788	68,017	78,137
Other provisions	5,184	5,525	5,108	5,454
Total	183,313	250,064	183,271	250,737

The movements in provisions during the year were as follows:

In RON thousands	Group		Bank	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Balance at 31 December	250,064	220,124	250,737	216,201
Net expense/(release) with provision for financial guarantees and off-balance commitments	(66,445)	(19,729)	(65,587)	(19,737)
Net expense/(release) with provision for legal disputes	(1,223)	2,598	(1,683)	2,376
Net expense/(release) with other provisions	(341)	(872)	(346)	(286)
FX effect	1,258	(541)	150	102
Balance at 30 June	183,313	201,580	183,271	198,656

25. ISSUED CAPITAL

The statutory share capital of the Bank as at 30 June 2023 is represented by 48,948,331 ordinary shares (31 December 2022: 48,948,331 ordinary shares) having a face value of RON 9.30 each. Out of the total shares, 8,187,547 shares were issued with a share premium of 75.93 RON / share. The total value of the share premium is RON 621,680 thousands.

The shareholders of the Bank are as follows:

	Bank	
	30.06.2023	31.12.2022
	%	%
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:

In RON thousands	Bank	
	30.06.2023	31.12.2022
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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

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	Group 30.06.2023		31.12.2022	
	Parent Company	Other related entities	Parent Company	Other related entities
Derivative assets at fair value through profit or loss	10,892	79,416	20,759	82,673
Derivatives assets designated as hedging instruments	19,687	34,785	16,215	33,604
Short term Money Market placements with banks	7,253,615	18,094	5,294,668	51,538
Loans and advances to banks	-	6,951	-	13,970
Loans and advances to customers	-	5,867	-	11,750
Other assets	11,902	17,724	14,664	6,851
Outstanding receivables	7,296,096	162,837	5,346,306	200,386
Derivative liabilities at fair value through profit or loss	981	3,260	887	5,129
Derivatives liabilities designated as hedging instruments	-	239,663	-	262,515
Current accounts	-	87,619	-	151,368
Deposit attracted	35,290	63,415	34,978	40,070
Loans received	3,331,525	396,800	2,840,826	463,425
Debts securities issued	2,833,349	-	2,822,877	-
Subordinated liabilities	840,122	109,086	836,760	108,843
Other liabilities	3,521	65,598	8,808	20,148
Outstanding payables	7,044,788	965,441	6,545,136	1,051,498
Commitments	1,913,870	323,673	198,233	296,841

In RON thousands	Group 30.06.2023		30.06.2022	
	Parent Company	Other related entities	Parent Company	Other related entities
Interest income	94,654	490	1,677	116
Interest expense	(214,291)	(11,902)	(88,449)	(18,033)
Fee and commission income	763	2,659	1,645	2,311
Fee and commission expense	(55)	(1,111)	(39)	(472)
Other operating income	58	701	-	80
Operating expenses	(1,616)	(35,769)	(955)	(33,443)
Net revenue / (expense)	(120,487)	(44,932)	(86,121)	(49,441)

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

26. RELATED PARTY TRANSACTIONS (continued)

	Bank					
	Parent Company	30.06.2023 Subsidiaries	Other related entities	Parent Company	31.12.2022 Subsidiaries	Other related entities
Derivative assets at fair value through profit or loss	10,892	-	79,416	20,759	-	82,673
Derivatives assets designated as hedging instruments	19,687	-	34,785	16,215	-	33,604
Short term Money Market placements with banks	7,253,615	-	18,094	5,294,668	-	51,472
Loans and advances to banks	-	-	6,951	-	-	13,970
Loans and advances to customers	-	1,879,678	5,867	-	1,622,035	11,750
Other assets	11,902	11,053	13,728	14,664	15,377	11,126
Outstanding receivables	7,296,096	1,890,731	158,841	5,346,306	1,637,412	204,595
Derivative liabilities at fair value through profit or loss	981	-	3,260	887	-	5,129
Derivatives liabilities designated as hedging instruments	-	-	239,663	-	-	262,515
Current accounts	-	193,283	87,619	-	175,774	151,368
Deposit attracted	35,290	392	63,415	34,978	20,893	40,070
Loans received	-	-	304,904	-	-	346,073
Debts securities issued	2,833,349	-	-	2,822,877	-	-
Subordinated liabilities	840,122	-	-	836,760	-	-
Other liabilities	3,193	-	65,401	8,452	-	19,803
Outstanding payables	3,712,935	193,675	764,262	3,703,954	196,667	824,958
Commitments	177,686	40,571	323,673	198,233	65,148	296,841

	Bank					
	Parent Company	30.06.2023 Subsidiaries	Other related entities	Parent Company	30.06.2022 Subsidiaries	Other related entities
Interest income	94,654	36,617	486	1,677	12,902	116
Interest expense	(135,437)	(676)	(5,997)	(36,464)	(301)	(916)
Fee and commission income	763	17,510	2,658	1,645	16,131	2,303
Fee and commission expense	(55)	-	(379)	(39)	-	(472)
Other operating income	58	3,945	37	-	2,124	79
Operating expenses	(1,616)	92	(35,204)	(955)	-	(32,448)
Net revenue/ (expense)	(41,633)	57,488	(38,399)	(34,136)	30,856	(31,338)

Transactions with key management personnel

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

26. RELATED PARTY TRANSACTIONS *(continued)*

Transactions with key management personnel *(continued)*

In RON thousands	Group	
	30.06.2023	31.12.2022
Loans	4,983	6,820
Current accounts and deposits	9,077	20,923

In RON thousands	Group	
	30.06.2023	30.06.2022
Interest and similar income	104	83
Interest expenses and similar charges	(108)	(38)

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

27. COMMITMENTS AND CONTINGENCIES

i) *Off-balance-sheet commitments*

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

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

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

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

In RON thousands	Group			30.06.2023
	Stage 1 and Stage 2	Stage 3	Of which: POCI* financial assets	
Loan commitments	16,095,306	43,086	-	16,138,392
committed	4,710,962	7,226	-	4,718,188
uncommitted	11,384,344	35,860	-	11,420,204
Letters of credit	105,286	-	-	105,286
Guarantees issued	5,091,706	93,272	-	5,184,978
Gross amount	21,292,298	136,358	-	21,428,656
Allowance for impairment - Loan commitments	(44,171)	(24,993)	-	(69,164)
Allowance for impairment - Letters of credit	(992)	-	-	(992)
Allowance for impairment - Guarantees issued	(30,848)	(65,035)	-	(95,883)
Total loss allowance	(76,011)	(90,028)	-	(166,039)

* *Purchased or Originated Credit Impaired - POCI*

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

27. COMMITMENTS AND CONTINGENCIES (continued)

i) Off-balance-sheet commitments (continued)

In RON thousands	Group		Of which: POCI* financial assets	31.12.2022
	Stage 1 and Stage 2	Stage 3		
Loan commitments	14,304,874	85,359	-	14,390,233
committed	4,118,692	4,387	-	4,123,079
uncommitted	10,186,182	80,972	-	10,267,154
Letters of credit	222,845	-	-	222,845
Guarantees issued	5,259,237	150,568	-	5,409,805
Gross amount	19,786,956	235,927	-	20,022,883
Allowance for impairment - Loan commitments	(23,138)	(55,811)	-	(78,949)
Allowance for impairment - Letters of credit	(876)	-	-	(876)
Allowance for impairment - Guarantees issued	(41,351)	(108,511)	-	(149,862)
Total loss allowance	(65,365)	(164,322)	-	(229,687)

* Purchased or Originated Credit Impaired - POCI

In RON thousands	Bank		Of which: POCI* financial assets	30.06.2023
	Stage 1 and Stage 2	Stage 3		
Loan commitments	15,439,734	40,600	-	15,480,334
committed	4,055,390	4,740	-	4,060,130
uncommitted	11,384,344	35,860	-	11,420,204
Letters of credit	105,286	-	-	105,286
Guarantees issued	5,092,099	93,272	-	5,185,371
Gross amount	20,637,119	133,872	-	20,770,991
Allowance for impairment - Loan commitments	(42,486)	(24,539)	-	(67,025)
Allowance for impairment - Letters of credit	(992)	-	-	(992)
Allowance for impairment - Guarantees issued	(34,993)	(65,035)	-	(100,028)
Total loss allowance	(78,471)	(89,574)	-	(168,045)

* Purchased or Originated Credit Impaired - POCI

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

* Purchased or Originated Credit Impaired - POCI

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 2023 is EUR 6,576,825 (31 December 2022: EUR 8,363,875).

27. COMMITMENTS AND CONTINGENCIES (continued)

i) Off-balance-sheet commitments (continued)

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

ii) Litigations

As at 30 June 2023, 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 12,010 (31 December 2022: RON thousands 13,723) is necessary to be booked.

As at 30 June 2023, the Bank was involved in several litigations (as a defendant) for which, based upon legal advice, has assessed that a provision amounting to RON thousands 10,038 (31 December 2022: RON thousands 11,714) is necessary to be booked.

28. OPERATING SEGMENTS

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

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

28. OPERATING SEGMENTS (continued)

Segment reporting on Group's interim consolidated statement of comprehensive income as of 30 June 2023:

30.06.2023 In RON thousands	Group					Total
	CIB*	Leasing	Retail & PB**	Treasury	Other	
Interest income using effective interest rate method	580,861	-	419,134	(18,101)	(44,717)	937,177
Other interest income	-	59,865	-	-	-	59,865
Net fee and commission income	121,745	34,611	87,869	(782)	2,453	245,896
Net income from trading and other financial instruments which are not at fair value through profit or loss	125,838	-	17,606	61,024	3,388	207,856
FX Gains/ (Losses)	42,706	10,489	(53)	-	-	53,142
Dividend income	-	-	-	-	3,868	3,868
Other operating income	(52)	1,476	4,272	(3)	(3,306)	2,387
Operating income	871,098	106,441	528,828	42,138	(38,314)	1,510,191
Operating expenses	(272,338)	(35,297)	(307,599)	(624)	10,121	(605,737)
Net impairment losses on financial instruments	(125,666)	63	769	-	(164)	(124,998)
Losses on modifications of financial assets	-	-	(11)	-	-	(11)
Net operating income	473,094	71,207	221,987	41,514	(28,357)	779,445
Net provision losses	-	(153)	(312)	-	2,027	1,562
Net impairment losses on non-financial assets	-	-	-	-	501	501
Profit before taxation	473,094	71,054	221,675	41,514	(25,829)	781,508
Income tax	(49,830)	(7,765)	(38,195)	(12,400)	(9,453)	(117,643)
Net profit	423,264	63,289	183,480	29,114	(35,282)	663,865

* Corporate Investment Banking ("CIB")

** Retail & Private Banking („Retail & PB")

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

28. OPERATING SEGMENTS (continued)

Segment reporting on Group's interim consolidated statement of comprehensive income as of 30 June 2022:

30.06.2022 In RON thousands	Group					Total
	CIB*	Leasing	Retail & PB**	Treasury	Other	
Interest income using effective interest rate method	350,699	-	268,372	(3,053)	120,832	736,850
Other interest income	-	62,751	-	-	-	62,751
Net fee and commission income	99,633	30,845	73,327	2,446	(325)	205,926
Net income from trading and other financial instruments which are not at fair value through profit or loss	105,734	-	27,012	(41,651)	40,598	131,693
FX Gains/ (Losses)	2,191	10,375	29	-	-	12,595
Dividend income	-	-	-	-	3,196	3,196
Other operating income	(1,266)	16,817	5,518	-	(2,036)	19,033
Operating income	556,991	120,788	374,258	(42,258)	162,265	1,172,044
Operating expenses	(252,363)	(42,020)	(270,432)	-	(14,246)	(579,061)
Net impairment losses on financial instruments	26,617	(17,123)	(134,289)	1,287	18,442	(105,066)
Losses on modifications of financial assets	-	-	153	-	-	153
Net operating income	331,245	61,645	(30,310)	(40,971)	166,461	488,070
Net provision losses	-	177	(412)	-	(1,491)	(1,726)
Net impairment losses on non-financial assets	-	-	-	-	576	576
Profit before taxation	331,245	61,822	(30,722)	(40,971)	165,546	486,920
Income tax	(51,805)	(10,884)	2,507	-	(21,356)	(81,538)
Net profit	279,440	50,938	(28,215)	(40,971)	144,190	405,382

* Corporate Investment Banking ("CIB")

** Retail & Private Banking („Retail & PB")

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

28. OPERATING SEGMENTS (continued)

Segment reporting on Bank's interim separate statement of comprehensive income as of 30 June 2023:

30.06.2023 In RON thousands	CIB*	Retail & PB**	Bank Treasury	Other	Total
Interest income using effective interest rate method	580,861	340,722	(18,101)	(44,717)	858,765
Net fee and commission income	121,745	102,359	(782)	295	223,617
Net income from trading and other financial instruments which are not at fair value through profit or loss	125,838	10,936	61,024	3,388	201,186
FX Gains/ (Losses)	42,706	-	-	-	42,706
Dividend income	-	-	-	3,868	3,868
Other operating income	(52)	6,502	(3)	18	6,465
Operating income	871,098	460,519	42,138	(37,148)	1,336,607
Operating expenses	(272,338)	(276,057)	(624)	4,459	(544,560)
Net impairment losses on financial instruments	(125,666)	24,839	-	(2,205)	(103,032)
Losses on modifications of financial assets	-	(11)	-	-	(11)
Net operating income	473,094	209,290	41,514	(34,894)	689,004
Net provision losses	-	-	-	2,027	2,027
Net impairment losses on non-financial assets	-	-	-	501	501
Profit before taxation	473,094	209,290	41,514	(32,366)	691,532
Income tax	(49,830)	(37,459)	(12,400)	(9,453)	(109,142)
Net profit	423,264	171,831	29,114	(41,819)	582,390

* Corporate Investment Banking ("CIB")

** Retail & Private Banking („Retail & PB")

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

28. OPERATING SEGMENTS (continued)

Segment reporting on Bank's interim separate statement of comprehensive income as of 30 June 2022:

30.06.2022	Bank				
In RON thousands	CIB*	Retail & PB**	Treasury	Other	Total
Interest income using effective interest rate method	350,699	185,162	(3,053)	120,652	653,460
Net fee and commission income	99,633	86,293	2,446	(2,782)	185,590
Net income from trading and other financial instruments which are not at fair value through profit or loss	105,734	19,879	(41,651)	40,598	124,560
FX Gains/ (Losses)	2,191	-	-	-	2,191
Dividend income	-	-	-	3,196	3,196
Other operating income	(1,266)	6,697	-	749	6,180
Operating income	556,991	298,031	(42,258)	162,413	975,177
Operating expenses	(252,363)	(244,866)	-	(18,202)	(515,431)
Net impairment losses on financial instruments	26,617	(92,495)	1,287	14,325	(50,266)
Losses on modifications of financial assets	-	153	-	-	153
Net operating income	331,245	(39,177)	(40,971)	158,536	409,633
Net provision losses	-	-	-	(2,090)	(2,090)
Net impairment losses on non-financial assets	-	-	-	576	576
Profit before taxation	331,245	(39,177)	(40,971)	157,022	408,119
Income tax	(51,805)	6,268	-	(21,356)	(66,893)
Net profit	279,440	(32,909)	(40,971)	135,666	341,226

* Corporate Investment Banking ("CIB")

** Retail & Private Banking („Retail & PB")

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

28. OPERATING SEGMENTS (continued)

Segment reporting on Group's interim condensed consolidated statement of financial position as of 30 June 2023

30.06.2023 In RON thousands	CIB*	Leasing	Group Retail & PB**	Treasury	Other	Total
Total assets	23,085,072	5,744,579	9,907,195	12,587,512	15,931,788	67,256,146
Total liabilities	26,820,149	4,087,285	21,309,724	715,296	6,345,507	59,277,961
Total equity	-	-	-	-	7,978,185	7,978,185
Total liabilities and equity	26,820,149	4,087,285	21,309,724	715,296	14,323,692	67,256,146

* Corporate Investment Banking ("CIB")

** Retail & Private Banking („Retail & PB")

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

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

* Corporate Investment Banking ("CIB")

** Retail & Private Banking („Retail & PB")

Notes to the unaudited interim condensed consolidated and separate financial statements for the six months period ended 30 June 2023

28. OPERATING SEGMENTS (continued)

Segment reporting on Bank's interim separate statement of financial position as of 30 June 2023:

30.06.2023	Bank				
In RON thousands	CIB*	Retail & PB**	Treasury	Other	Total
Total assets	23,085,072	7,269,574	12,587,512	18,001,943	60,944,101
Total liabilities	26,820,149	18,984,502	715,296	7,294,378	53,814,325
Total equity	-	-	-	7,129,776	7,129,776
Total liabilities and equity	26,820,149	18,984,502	715,296	14,424,154	60,944,101

* Corporate Investment Banking ("CIB")

** Retail & Private Banking („Retail & PB")

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

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

* Corporate Investment Banking ("CIB")

** Retail & Private Banking („Retail & PB")

29. MACROECONOMIC CONTEXT

29.1 Trend of economy

Given the large negative revisions by the NIS of the past quarters, our expectations as the Romania's economy to undergo a shallow technical recession in 4Q22 and 1Q23 did not confirm. Romania's 1Q23 GDP grew marginally by 0.1%qoq, seasonally-adjusted data for previous quarters being downwardly revised: from +1.6%qoq to +1.3%qoq in 1Q22, from +1.2%qoq to +0.7%qoq in 2Q22, from +1.2%qoq to +1.0%qoq in 3Q22, while for 4Q22 remained at 1.0%qoq. On an annual basis, the 1Q23 GDP rose by +2.3%yoy (gross data), below our expectations. It increased by 2.8%yoy (seasonally-adjusted data), better than the Eurozone (+1.3%yoy) and the EU 28 countries (+1.2%yoy). However, the economy slowed abruptly in 1Q23 as the public consumption fell and the tighter financial conditions weighed on retail sales and real estate, while the tax receipts at the state budget were short of plan. The private consumption remained strong and households increased savings above the pre-pandemic level as the real wage bill rose by around 2% yoy in 1Q23.

The large statistical revisions turned Romania within the last years from a growth laggard into one of the EU's top performers, the main driver of growth remaining the private consumption, while the investments gained speed starting 3Q22 supported by the funds disbursed from Next Generation EU programme (locally named PNRR). We expect GDP to grow by 3,0%yoy in 2023 and 4,0%yoy in 2024, outpacing the Central Europe due to more resilient consumer demand, public investment and pre-election spending. The government will try to unlock more funds under PNRR by taxing special pensions, reforming the public pay scheme and improving the governance at state-owned enterprises. Spending on infrastructure rebounded in the spring, supported by EU funds and the trend will continue next year, supported also by the pre-election spending.

The annual inflation fell to 10,6%yoy in May from 14.5% in March and 16.4% in December. The sharp decline from 2Q23 was due to a sizeable base effect in the energy prices, while the food prices continued to rise by double digits. We expect inflation to fall into single digits in the autumn and close the year at around 7.3%yoy, declining to around 6% next year, with fiscal policy remaining the biggest risk to disinflation.

29.2 State support measures for the population and the economy – updates in 2023

The Romanian government continued in 2022 and 2023 some of the support measures which proved supportive for the economic growth during pandemic. The state aid scheme IMM Invest Plus became operational for banks at the beginning of October 2022. The program has more sub-components: IMM INVEST ROMÂNIA, AGRO IMM INVEST, IMM PROD (for productive SMEs and startups in the urban area), GARANT CONSTRUCT, INNOVATION and RURAL INVEST and it is aimed at providing SMEs with non-reimbursable funds, state guarantees for loans (working capital/ investments) and state subsidy for the interest rate in the first year of the loan. The allocated funds are mainly targeting the digital and the green transition, improving the energetic efficiency as well as the urban and rural development.

Romania confronted in 2022 and H1 2023 with a very high inflation, driven by the liberalization of the local electricity market in July 2021 and the transition to a greener, but more expensive, energy production. Russia's invasion in Ukraine on February 24, 2022 exacerbated the rise in the energy and commodity prices. Higher prices for oil, gas and agricultural commodities spilled over to the inflation especially in the CEE countries, Romania being among the most affected due to a higher weight of food prices in the consumer basket (~33%). A price cap scheme on the natural gas and the electricity prices was introduced as of 1st November 2021. The scheme was initially valid until 31 March 2022, then prolonged through EGO 27/2022 until 31 August 2023, respectively by 31 March 2025. The scheme consists of state subsidies paid to the energy distributors for the difference between the market prices and a capped energy price paid by the final consumers, households and companies.

Having in view that the increase in the food prices remains in double digits (+18.7%yoy in May) and aiming to support disinflation, the government adopted in June 2023 an EGO introducing for 3 months a 20% cap on the retailers' profit margins for 14 basic food products, applicable starting August 1st, 2023.

29. MACROECONOMIC CONTEXT (continued)

29.3 Financial impact of macroeconomic context on the financial & prudential position of the Group

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

After a year 2022 with difficult market conditions in the context of the tension of the economic environment due to Russian and Ukraine crises, in first half of 2023 the lending accelerated, both in the Companies segment and in the Individuals segment, through newly financed volumes higher than the similar period of last year. Operating income was over the first half of 2023, supported by commission income and net interest income due to the increase in trade volumes. In the first six months of 2023, the cost of credit risk improved due to the quality of the loan portfolio, significant recoveries and the non-performing loans rate decreased gradually.

Regarding UCLC, the newly financed volumes signed are above the first half of previous year, while interest and commission income was higher than the the first half of previous year, contributing to a higher Gross Operating Profit than one recorded in the first half of previous year.

As concerning UCFIN, H1 -2023 marked a significant acceleration of the consumer lending activity grounded on more efficient working flows, increased automation and focused selling campaigns. Simultaneously, the quality of the portfolio improved steadily as a result of implementing a sound and robust risk framework, including collecting debts.

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

30. SUBSEQUENT EVENTS

There is no significant subsequent event after the end of reporting period.

The interim condensed consolidated and separate financial statements were approved by the Management Board on 02 August 2023 and were signed on its behalf by:

Mrs. Feza Tan
First Executive Vice-President (Deputy CEO)



Mr. Dimitar Todorov
Executive Vice-President

