Raiffeisen Bank S.A.

Directors' Report

31 December 2020

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

FREE TRANSLATION

Raiffeisen BANK

DIRECTORS' REPORT ON CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2020

1. GROUP DESCRIPTION

Raiffeisen Bank S.A. is a top universal bank on the Romanian market, offering a wide range of high-quality financial products and services. Raiffeisen Bank Romania S.A. operates since 1st of July 2002 following the merger by acquisition of Raiffeisen Bank Romania S.A. by Banca Agricola Raiffeisen S.A. through issue of shares. The merger between the two banks was performed as at 30 June 2002 in order to streamline the operations of the Raiffeisen Group in Romania.

The Bank holds:

- 99.99% investment in Raiffeisen Asset Management S.A., an asset management company with the purpose of administrating funds launched by the Group
- 99.99% interest in Raiffeisen Leasing IFN S.A.
- 99.99% interest in Aedificium Banca pentru Locuinte S.A., an entity exclusively dedicated to saving and lending business.

On May 1'st 2014 Raiffeisen Bank merged with Raiffeisen Capital and Investment S.A., a brokerage company providing stock exchange brokerage services to local and foreign customers.

In March 2017 the Bank gained control on Raiffeisen Leasing IFN S.A. and ICS Raiffeisen Leasing S.R.L. through the acquisition of 746,769 shares with a nominal value of 10 Ron, accounting for 49.99% from Raiffeisen Leasing IFN S.A. The decision was made in order to simplify the shareholder structure within the Raiffeisen Group.

Raiffeisen Bank gained control over Aedificium Bank, as of July 2019 (at that time called Raiffeisen Banca pentru Locuinte) by acquiring 45,000 shares for Eur 1 mn from Bausparkasse Schwäbisch Hall AG and 45,535 shares for some Eur 1 mn from Raiffeisen Bausparkasse Gesellschaft m.b.H., reaching the 99.99% holding percentage. As of October 2019 Raiffeisen Banca pentru Locuinte changed the name into Aedificium Banca pentru Locuinte S.A.

During 2020, ICS Raiffeisen Leasing S.R.L. from the Republic of Moldova, a company held 100% by Raiffeisen Leasing IFN S.A., has ceased its activity and has been liquidated.

The Bank has consolidated the financial statements of its subsidiaries in accordance with IFRS 10 "Consolidated Financial Statements".

2. RAIFFEISEN BANK'S STRATEGY

Despite challenging and rapidly changing economic environment, RBRO continues to be a pillar of the Romanian economy, staying true to the 'proper banking' culture and swiftly coming to the aid of clients, whenever they are in need. During these trying global times, RBRO has supported the local economy and clients by providing effective private and public moratorium options, by wavering POS transaction fees early on as the pandemic developed, sending cards directly to clients' homes, paying State taxes and our suppliers ahead of time, actively taking steps to ensure a sanitary safe environment in our branches for our clients and employees, providing accessible financing solutions while also accelerating the development of our online capabilities.

As a top universal bank, aiming to become the most recommended financial institution in Romania, RBRO strives to help its customers achieve their objectives and build enduring home banking relations. We seek to meet the everchanging needs of our clients through digital channels and our helpful staff and we create value by offering effective customer-centric solutions that are convenient and user-friendly. We are committed to providing sustainable and qualitative banking solutions for our customers, by actively promoting a culture of 'proper banking', that relies on responsibility, trust and competence.

Continued digitalization has become an even more important focal point for the bank, as we are aiming to provide fast, reliable and effective financial services for the fast-changing needs of our dynamic clients and ultimately reinvent the customer journey.

From a business perspective, we continue to bring to the market innovative products such as Rflex, the dedicated foreign exchange solution for corporate clients, we push for continued education, development and strengthening of the business ties within the real market economy with programs such as 'Elevator Lab', which aims to design the future banking model, and the "Factory by Raiffeisen Bank" program that gives great support to start-up companies (over 100 financing facilities of up to Eur 50 ths. during our third edition in 2020).

3. ECONOMIC & BANKING ENVIRONMENT IN 2020

The outbreak of the COVID-19 pandemic in the first quarter of 2020 led to a large and rapid contraction of economic activity due to introduction of social distancing restrictions that were necessary to curb the spread of the disease. The economic recovery process that started in May has materialized at a faster pace than initially expected, being supported by the rebound of households' consumption, by production processes and by international trade. The economic recovery has benefitted from the bold measures aimed to help the individuals and the companies and that were adopted by the government and the central bank: transfers for technical unemployment and short-time work schemes, tax deferrals without incurring penalties, moratoria on loans repayments, decrease of interest rates in the economy and the offering of government guarantees for banking loans. The segment of companies providing services to the population was the most negatively affected by the introduction and maintenance for a long period of time of the social distancing restrictions. Agriculture also contracted sharply in 2020 due to severe drought. During 2020, there was observed a very good performance for investments that increased in the first three quarters by 6.3% compared to the similar period of 2019. The real Gross Domestic Product decreased by 3.9% in 2020 compared to 2019, while its level from Q4 2020 was 1.5% below that recorded in Q4 2019.

The public budget deficit rose to 9.8% of GDP in 2020 from 4.6% of GDP in 2019. This large jump was fueled to a large extent by the outbreak of COVID-19 pandemic, which required additional public spending (temporary and unforeseen) to combat it and generated also losses of public revenues (especially in terms of tax deferrals). However, the widening of the public budget deficit in 2020 compared to 2019 was also supported by the increases of wages in the public sector, of pensions and of child allowances that have materialized in the period 2019-2020.

The high uncertainty surrounding developments on the political scene and the situation of public finances, as well as the risk for a sovereign rating downgrade to "non-investment grade" category led the central bank (NBR) to remain prudent in the monetary policy conduct during 2020. Thus, the NBR has reduced the monetary policy interest rate three times in 2020, from 2.5% to 1.5%. At the same time, the central bank showed a firm commitment to provide the necessary liquidity to cover the financing needs of the public and private sectors, aiming at the gradual reduction of interest rates in lei and avoiding the "unnecessary" depreciation of the domestic currency. To this end, the NBR increased the volume of bilateral repo operations and began to buy Government securities in lei from the secondary market.

Outstanding loans granted by banks to the private sector (households and companies) remained on an upward trend in 2020, increasing by 5.4% from 2019 (dynamics computed using a constant EUR/RON rate to assess the change in the value of loans denominated in foreign currency). The fastest dynamics materialized in the case of outstanding housing loans (9.3%), and the weakest performance was registered in the case of outstanding loans for consumption and other purposes (contraction of 2.1%). Outstanding loans granted by banks to non-financial companies increased by 4.3% in 2020 compared to 2019, and a revival of lending activity was recorded in the second half of the year amid the start of the IMM Invest governmental program (guarantees provided by government to the SMEs for banking loans). Outstanding banking deposits of households and companies again increased faster than outstanding loans of these customer segments in 2020, respectively by 13.6%. Large advances in term of balances were recorded for all segments: deposits of individuals and deposits of companies, deposits in lei and deposits in foreign currency. Non-performing loans ratio in the banking system increased during the second quarter, but the advance was limited (from 3.94% in March to 4.38% in June). Moreover, it gradually declined thereafter to 3.89% in November. The favorable development was supported by the broad set of measures adopted by the authorities to support the economy, including the moratoria on loans repayments and the suspension of foreclosure procedures.

4. GROUP'S BUSINESS PERFORMANCE IN 2020

a) Highlights

We are proud with our achievements during the past year, one that tested everyone's resilience and brought forth many new challenges. We prioritized the safety of our clients, staff and we supported the real economy in a very difficult period, while still achieving above-market RoE[1] of 14%. The group's foundations are in very good shape: solid capital adequacy at 23%, NPLs below market average and an L/D ratio of 68%.

The Bank approved new loans of Eur 2.9 bn in 2020, thus helping clients to realize their objectives or to better cope with the headwinds brought by the lockdown period and by the general hike in macro uncertainty. More than Eur 1 bn new loans were granted to private individuals, while our participation in the IMM Invest program was a major factor for sustaining the lending activity for companies in the second part of the year.

In times of crisis, people turn to the safety of the strongest and most trustworthy banks: ***RBRO achieved in 2020 an excellent 21% growth in deposits***, on the backdrop of delayed spending, turmoil on the equity markets and growing uncertainty in the overall economy. We remain a trustworthy partner for our clients in good times and bad, committed to use this fuel to act upon our strategic objective of financing the real economy.

We kept the digital agenda at the forefront of our attention: clients actively[2] using our digital channels increased by 17% in 2020, exceeding 870,000 or 40% of our customer base. We reached a total of 48 cashless branches and we accelerated the transfer of cash operations to multifunction machines. We will continue to push for greater ease and faster access to banking services, by enhancing our digital capabilities.

The proper way of doing banking was put to the test in the last year: early in the onset of the pandemic and lockdown, we took swift measures to support our partners by hastening payments to suppliers and wavering POS fees for corporate and SME clients, we ensured sanitary safety for clients and employees visiting our branches and we started delivering the cards at our clients' homes, in order to limit unnecessary exposure.

[1] Computed for the Bank: Net profit divided by the average value for Equity in the period, not including the 2020 profit
[2] Private individual clients who logged into digital channels at least once in the last month

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b) Balance sheet developments

Raiffeisen Bank Romania's success during this difficult period resides in the balanced and sustainable business model. We stayed true to our 'proper banking' principles, maintaining a robust development of our balance-sheet while providing much needed support for the real economy.

The past year has been one of unprecedented events, with the COVID-19 pandemic having a quick and deep impact in the economy and affecting, in one way or another, all aspects of day-to-day life. Such circumstances found us in close contact with clients' needs and we acknowledged the difficulties they faced by stepping up with adequate support, offering both private and public moratorium options for individuals and companies. As our clients tried to adapt to the new conditions, we remained swift in providing accessible financing through both traditional products as well as Government support programs such as IMM Invest.

We remain committed for future sustainable growth, with a close tap on client needs: we pay special attention to the lending activity addressed to companies, both local entrepreneurs and corporate clients, while at the same time remaining a trustworthy partner for our individual customers in meeting their financial needs.

The main developments related to the asset side of the balance-sheet are seen below:

Condensed assets positions	Group			Bank		
amounts in Ron million	**2020**	**2019**	Variation	**2020**	**2019**	Variation
Cash and cash with Central bank	10,854	6,507	67%	10,854	6,506	67%
Loans and advances to banks at amortized cost	972	207	>100%	971	201	>100%
Loans and advances to customers at amortized cost	28,773	27,594	4%	28,221	26,961	5%
Financial assets mandatorily at fair value through P&L	394	364	8%	379	344	10%
Investment securities at fair value through OCI	3,213	2,398	34%	3,151	2,326	35%
Investment securities at amortized cost	6,096	4,953	23%	5,913	4,674	26%
Sundry assets	1,751	1,833	-4%	1,794	1,866	-4%
Total assets	**52,053**	**43,856**	**19%**	**51,283**	**42,879**	**20%**

2020 started off rather well in terms of loan production, but the pandemic and lockdown period have severely lowered new loans generated in the second quarter, with many clients postponing such decisions due to safety concerns and growing uncertainty regarding the prospects of the economy and also their personal financial perspectives. The second half of the year saw a recovery in confidence especially on private individuals with new loans granted by RBRO during this period reaching similar levels as in 2019, despite still being impacted by the difficult context. SME also stood out, with 14% increase in overall term loan production during 2020, when new loan originations supported strongly by the new IMM Invest program.

Looking at the net loans stock evolution vs. 2019, the reported year-over-year growth of 5% was positively influenced by the rise on small and medium company loans by more than 10%, while on private individuals, the lending activity excelled especially for mortgage loans, which increased by nearly 10% vs. 2019 and compensated for the small decline in unsecured loans vs the end 2019; the demand for personal loans in the market plummeted during Q2, while the recovery during the second half of the year contributed to the PI unsecured loans rising by 3% vs. June 2020. Looking at the lending process, we seek to provide suitable financial solutions for our clients' needs, increasingly convenient and fast, as we move with a higher proportion of the portfolio towards a fully digitalized lending process.

The clients' preference towards local currency is confirmed and visible in the currency mix of the loan book, with the RON share exceeding 70% weight in 2020, mostly influenced by Retail lending where nearly 85% of loan book is RON denominated:

Loans and advances to customers, before provisioning

	Group				Bank			
	2020		2019		2020		2019	
amounts in Ron million	Non-Retail[3]	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail
Total	12,561	17,543	11,941	16,781	12,425	17,080	11,787	16,268
LCY	6,359	14,770	6,113	13,591	6,338	14,679	6,092	13,516
FCY	6,202	2,773	5,828	3,190	6,087	2,401	5,695	2,751

We increased significantly our securities holdings in 2020, in line with our strategy to lengthen the average duration of the assets, optimize the structure of the balance-sheet and the net interest margin, while at the same time provide necessary funds to the local Government in a tough period.

In 2020 we surpassed the Eur 10 bn landmark in terms of size of the balance-sheet and we are very pleased with the 20% growth achieved yoy, at almost double the speed of the market (+11%). Looking at the structure and drivers of this growth in size, we move to the customer liability side of the balance-sheet:

Customer liabilities showed very strong growth in 2020, by more than 20% year-over-year, further proof of the trust we gained from the part of our clients, who see us as reliable partners in good times and bad. We see this development fully aligned with our commitment to build solid and sustainable foundations for the development of our balance-sheet in the future, focused on funding the real economy and helping our clients succeed.

During 2020, a significant growth vs. 2019 came from private individual clients' current accounts, which increased by over 30% yoy. We need to mention here the background of delayed spending behavior and growing uncertainty in the perspectives of the overall economy and in some cases also uncertainties regarding personal financial prospects on the short-medium term. The turmoil on the equity markets especially during Q2 of 2020 has also led to a migration from asset management funds towards the safety of the strongest and most reliable banks.

[3] Retail clients include personal individuals and legal entities with an annual turnover below Eur 1 million (Micro clients)

Small and medium entities also had a notable positive development of 22% against prior year, mostly coming from current account balances that grew year-over-year by 24%. The same trend was registered on corporate clients with a rise by 14% in liabilities, entirely from current accounts.

Main components related to the liability side of the balance-sheet are illustrated below:

Condensed liability positions	Group			Bank		
amounts in Ron million	**2020**	**2019**	Variation	**2020**	**2019**	Variation
Deposits from banks, loans from banks and other FIs	771	822	-6%	356	351	1%
Deposits from customers	43,553	36,109	21%	43,395	35,802	21%
Debt securities issued	480	481	0%	480	481	0%
Subordinated liabilities	416	409	2%	416	409	2%
Sundry liabilities	1,329	1,204	10%	1,259	1,141	10%
Equity	5,504	4,831	14%	5,377	4,695	15%
Total liabilities and equity	**52,053**	**43,856**	**19%**	**51,283**	**42,879**	**20%**

With regards to the liabilities' denomination, the structure between RON and foreign currencies has moved towards the former and closed the year at around 60/40 ratio, in favor of RON denominations.

We do note, however, that relatively many clients still prefer to keep their savings in foreign currency, even though the interest rates offered for such deposits in the market are very low.

Deposits from customers

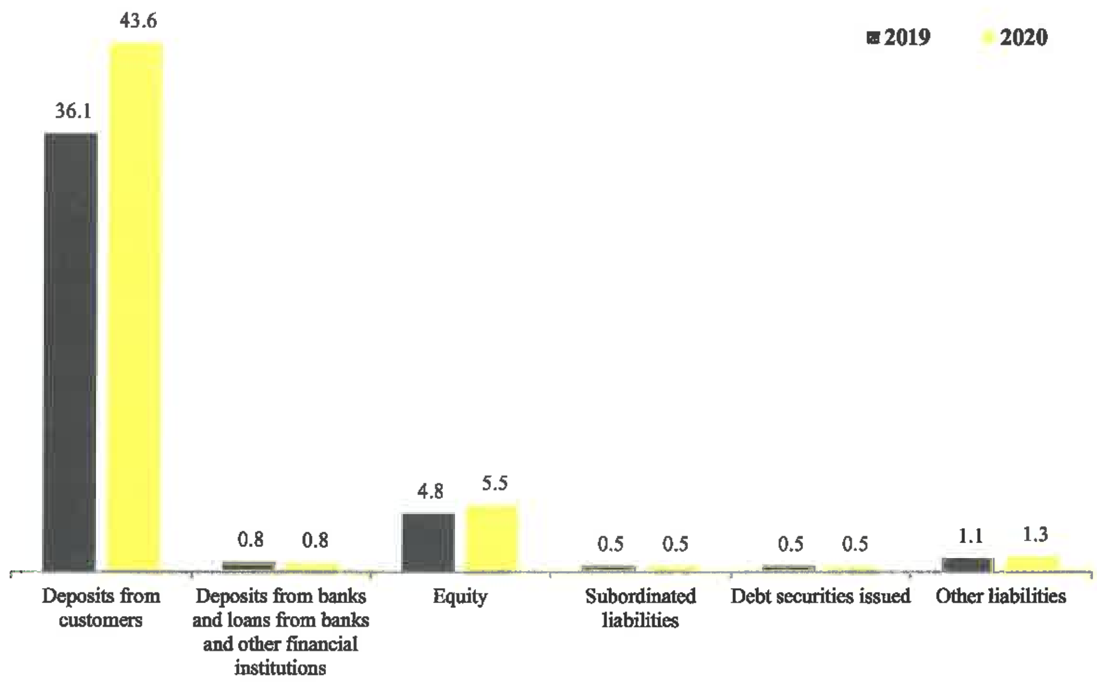
	Group				Bank			
	2020		2019		2020		2019	
amounts in Ron million	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail
Deposits from customers	11,326	32,227	9,863	26,246	11,358	32,037	9,880	25,922
LCY	7,584	18,284	6,875	14,996	7,606	18,094	6,887	14,672
FCY	3,742	13,943	2,988	11,250	3,752	13,943	2,994	11,250

The group has strengthened its foundations during the year and maintained diverse funding sources: we remain highly liquid on both local currency and foreign currency, as we enjoy a positive perception from the part of our clientele, as a sound and secure financial institution during times of continued uncertainty.

The strong rise in deposits from customers during the year, as well as our cautious policy to retain profits and grow the equity position during these challenging times, have all granted the Group a solid footing for the future as the economy regains steam and lending demand recovers in the near future.

RON billion

Funding Sources



c) Major Profit and Loss components

amounts in Ron million	Group 2020	Group 2019	Group Variation	Bank 2020	Bank 2019	Bank Variation
Net interest income	1,750	1,759	-1%	1,707	1,719	-1%
Net fee and commission income	527	584	-10%	485	534	-9%
Net trading income	333	333	0%	334	333	0%
Net gain from other fin. instr. at fair value through P&L	17	40	-57%	17	40	-57%
Other income	34	30	14%	72	34	112%
Operating and personnel expenses	-1,575	-1,556	1%	-1,519	-1,512	0%
Net provisioning for impairment losses on financial assets	-316	-176	79%	-321	-187	72%
Goodwill	0	7	n/m	0	0	n/m
Share of gain from associates and joint ventures	0	2	n/m	0	0	n/m
Income tax expense / revenue	-134	-188	-29%	-129	-180	-28%
Net profit after taxes	**637**	**835**	**-24%**	**644**	**779**	**-17%**

Net profit of the Group stood at Ron 637 million in 2020, down by 24% vs. 2019. This decrease came on the background of the deteriorated economic context generated by COVID-19 pandemic. During 2020, our primary concern was to ensure business continuity, focus on the health and safety of our employees and customers.

Worth noting the main factors which led to this evolution in net profit: suppressed demand for new lending during lockdown, implementation of private and public moratoria in order to help our customers cope with current difficulties, temporary wavering of some transactional fees to encourage electronic payments, additional costs in order to ensure our employees' health and a rise in provisions booked as overlays for the deteriorated macroeconomic outlook and the possibility for some clients to see their repayment capabilities affected.

Net interest income was on a slight downward trend year-over-year, impacted by sluggish lending growth and contracted margins (lower market rates for LCY by 60 bps on average vs 2019 and also due to low-risk programs and IMM Invest which were in scope for Legal Entities).

Net commission income declined year-over-year in 2020, by 10%. This decrease came mainly as an effect of the non-recurrent weak transactional activity during the lockdown period, during Q2. Additionally, worth noting also the increasingly convenient and low-priced payment solutions provided to our clients through digital channels, higher penetration for 'zero cost' current account packages provided to Individuals, migration of cash operations from branches to multifunctional machines and electronic channels, fee waivers applied during Q2 for POS transactions. We see this trend as an integral part of our efforts to tighten the relationship with our clients and make concrete steps towards a transactional activity that is fast, convenient and cost-effective for the bank and clients.

2020 also presented some opportunities, mainly from increased volatility in the market during Q2 as swap rates for RON placements hovered in the low double digits, thus leading to some profitable deals which allowed us to increase our trading result. On the other hand, FX business was affected to a high degree by the new macro environment triggered by the COVID-19 pandemic: lower FX volumes after an initial hike in mid-March due to lockdown in the emergency state, low appetite for acquisitions/spending, low propensity for travel due to restrictions in place for most of 2020. All-in-all, net trading income remained flat year-over-year.

2019 was the first year in which 'Tax on assets' has been applied to Romanian banks, as per OUG 114/2018, which brought a cost of around Ron 50 mn in our operating expenses (no such costs booked in 2020). Another event with regulatory background was the contribution for deposit insurance and single resolution fund fee, which was Ron 15 mn lower in 2020, year-over-year. We should also outline, within the 2020 cost base, approx. Ron 100 mn negative impact due to prudent provisioning for possible future losses arising from litigations.

The underlying operating cost base (w/o non-recurring events and regulatory contributions for deposit guarantee schemes) shows Ron 50 mn increase year-over-year. The safety and health of employees and customers was our main concern during 2020, the bank providing during the pandemic everything necessary for their protection, from hygienic-sanitary materials, separation panels to sending over 450,000 cards through couriers to client's homes. We took advantage of our technical capabilities to offer our head-office employees the option to work from home without significant productivity losses, while additional expenses were deployed by the bank in branches, where work conditions were adapted to the paramount need to ensure the safety of our staff and clients. In underlying terms, the new context generated by the pandemic encouraged us to accelerate the scrutiny of those costs which are not aligned with our aim for the future of banking and focus to invest more in the two crucial success factors for the future of our bank, namely our people and the strength of our digital capabilities. In line with the Bank's strategy of investing more in these important pillars for the bank's future success, we see that the main areas of growth in operating costs are identified in staff-related and IT expenses.

The Group's risk costs were affected in 2020 by the booking of additional provisions to compensate for the deteriorated macroeconomic environment, possible new defaults following harsh perspectives for some industries and overlays for future effects expected after the expiry of moratoria.

d) Customers and distribution

The active customer base was maintained in 2020 at approximately 2.2 million clients. At year-end 2020, Raiffeisen Bank's network numbered 333 units (351 in 2019), over 23,000 EPOS and over 1,100 ATMs, out of which 391 MFMs (multifunction machines).

5. OUTLOOK FOR 2021

a) Economic developments

We expect the economic recovery process that started in 2020 to continue in 2021 and to be fostered by progress in deployment of vaccines in Romania and abroad. Increase in immunization of population against the new coronavirus should result in a broad-based rebound in activity of companies providing high contact-intensive services (hospitality, tourism, recreational and cultural activities). Economic growth should also be supported in 2021 by the extension of government measures to support the individuals and companies, by the increase in the absorption of European funds and by the initiation of investment programs financed from the Next Generation EU recovery program. At the same time, exports' growth should be supported by accelerating foreign demand. We expect agricultural output to return towards its normal level after the large contraction in 2020 caused by severe drought, with the agriculture making so a significant positive contribution to economic growth in 2021. We currently estimate a real GDP growth of 5.2% in 2021 from 2020.

The year 2021 should also mark the beginning of the fiscal consolidation process. However, this should be a long-term and gradual one, given that the level of the public budget deficit in 2020 (9.8% of GDP) has a large structural component (resulting from the substantial increases of public sector wages and of pensions over the last years). In fact, the government has already approved a series of measures aimed at limiting the advance of public spending in 2021 (freezing of wages and bonuses in the public sector to the levels from end-2020, for instance). Also, the government intends not to increase pensions in 2021. Under these conditions, we consider that the public budget deficit could be reduced towards 7% of GDP in 2021.

The initiation and the progress of the fiscal consolidation process create premises for the rating agencies to maintain the sovereign rating in the "investment grade" category, for investors not increasing their risk aversion for lei denominated assets, and for leu witnessing only reduced depreciation pressures. This favorable domestic context and the projected low level of interest rates in foreign markets should allow the central bank to maintain unchanged the monetary policy interest rate at 1.25% until the end of 2021.

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Also, money market interest rates (ROBOR at 3 months for instance) could decline further, coming closer to the level of the monetary policy rate. The low level of RON interest rates is an additional factor that should support economic growth in 2021.

b) Developments in the banking industry

We expect the stock of loans granted by banks to the private sector (households and companies) to continue on an upward trend in 2021, and positive developments to be recorded in all credit segments (loans for consumption and other purposes, housing loans and loans to companies). The advance would be supported by the strengthening of economic growth process which will materialize in an increase of households' disposable income and of corporate profits. Also, lending to non-financial companies is expected continue to be supported by Government programs providing loans guarantees. The stock of deposits of households and companies could still be expected to increase at a faster pace than the stock of loans contracted by these categories of clients.

For the year 2021, there is a high degree of uncertainty with regards to the evolution of the unemployment rate, of the number of bankruptcies and of the volume of non-performing loans. The expiry of the support measures introduced in 2020 to help the individuals and the companies to cope with the crisis is expected to lead to a deterioration of all three indicators. However, the banking system is very well capitalized (solvency ratio of 23.2% in December 2020), which should allow banks to successfully weather these possible adverse developments.

c) Our perspectives

We expect the following period to be one of recovery, with good perspective for growth as the customers return to a more traditional behavior and economic activity picks up. Still we consider that uncertainty will linger in the short and medium term while the lockdown period has likely altered to some extent individual behavior and has hastened an already existing trend for digital adoption and redefined the way work is being done with diverging impact between industries. We see good perspective for underlying growth also from the low level of financial intermediation in Romania versus EU average; furthermore, supplier's credit is still the preferred mean of financing operations for many small companies, ahead of bank lending, while recent events and materialized risks have all confirmed that this is a real and sizeable growth opportunity for the local banking system on the short-medium run.

We aim to outpace the market on lending, with balanced growth for our loan book slightly more concentrated on legal entities loans and individual mortgage loans, where our current positioning and our strategic targets would warrant a quicker pace in the coming period. The market moved towards a low interest rates environment with considerable pressure on interest income at the banking level which we intend to counter through higher volumes.

We acknowledge two major factors at the foundation of a resilient and highly performing earning power on the long-run: our people and the path to digital, and we continue to maintain focus on both and thus secure our positioning in the market. The new context generated by the pandemic encouraged us to accelerate the scrutiny of those costs which are not aligned with our aim for the future of banking and focus to invest more in the two crucial success factors for the future of our bank, namely our people and the strength of our digital capabilities; this is a road we will pursue also in the coming period.

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6. SUBSIDIARIES

ASSET MANAGEMENT

S.A.I. Raiffeisen Asset Management S.A. (RAM) is the asset management company of the Group in Romania. RAM's objective is to develop a large range of products to best serve clients' financial needs.

During 2020 we maintained a constant focus to improve our range of financial products, in order to remain aligned with the financial markets environment and to meet our investors' expectations. Thus, we completed our offer with a new international equities fund, Raiffeisen Global Equity, the first locally managed investment fund which incorporates environmental, social, and corporate governance (ESG) factors in its investment policy. The fund is denominated in Euro and has attracted a great deal of interest from investors. We also launched an international bond fund denominated in Euro, Raiffeisen Global Bonds and extended our investment plans solutions with two new products, Euro SmartInvest Now and Euro SmartInvest Time.

At the end of 2020, Raiffeisen Asset Management was the only asset management company in Romania offering both open investment funds and a voluntary pension fund. The social capital amounting RON 10,656,000 is 99.99% owned by Raiffeisen Bank S.A. The total assets exceeded EUR 13,7 million.

By the end of 2020, Raiffeisen Asset Management S.A. was the second largest player on the local funds market, with a market share of 22% and assets under manage-ment exceeding EUR 1 billion.

FINANCIAL LEASING ACTIVITY

Raiffeisen Leasing IFN S.A. has been representing the Raiffeisen Group on the Romanian Leasing Market since 2002. The company share capital is RON 14,935,400 and offers a wide range of products for SMEs, corporations and, in a small part, for individuals.

The company provides customized financing solutions in Lei or Euro, offering fixed or variable interest finance for various types of projects and assets, such as vehicles, equipment. Raiffeisen Leasing offer is also available in over 350 RAIFFEISEN Bank agencies.

On 31.12.2020, Raiffeisen Leasing IFN S.A. had assets amounting 215 million Euros and a number of approximately 10,100 active contracts. The company consolidated its portfolio, confirming in 2020 the established strategic lines, registering a balanced structure in terms of customer segments and financed assets and an adequate risk management.

In 2020, Raiffeisen Leasing supported clients affected by the COVID-19 pandemic, through measures in the form of private and public moratoria, which targeted individuals, legal entities, PFA and individual businesses. Customers could opt to defer payment of installments for up to 9 months.

Raiffeisen Leasing offer remained in line with the market context last year. Raiffeisen Leasing's portfolio performed well in the context of the pandemic.

The year 2020 was difficult for both the national and the global economy, being marked by restrictions, blockages and postponements of some important investments, in the context of the COVID-19 pandemic.

Although there are not any official data yet from the leasing market for 2020, it is estimated that in the leasing industry there were contractions on new business. Raiffeisen Leasing's major focus was to support customers affected by COVID-19, ensuring the portfolio and balanced management of the business.

Raiffeisen Leasing's vision translates into "Leasing asa cum trebuie" slogan, which means integrity, transparency and a sense of responsibility towards the clients. Through all its guiding principles and fundamental beliefs the company aims for a balanced and healthy growth for its clients, sustaining viable businesses in a responsible way, by avoiding over-indebtedness, providing easy access to finance, through process efficiency and innovative leasing products.

SAVING AND LENDING BUSINESS

Aedificium Bancapentru Locuinte S.A. (ABL) offers a product denominated in Ron that is based on the combination of the saving and the lending phase and offers to customers the financing of housing domain improvements by affordable Ron denominated loans with fixed interest rates.

At the end of 2020, ABL registered a portfolio of 27 thousand contracts from the saving and lending activity, having a total contractual amount of Ron 460,8 million, savings deposits from customers amounting to Ron 136.8 million and total loans granted worth Ron 56.6 million. In 2020, ABL posted an operational negative result of Ron 47.4 million, significantly impacted by the provision booked related to the litigation with the Court of Accounts (Ron 43.7 million).

7. RESEARCH AND DEVELOPMENT

The past year has proven that we are prepared to adapt quickly to a volatile environment. We owe this to our robust digital capability and years of focus on research and development as a main strategic direction. The main areas of focus were the digital experience, new technologies & tools to support digital readiness, Agile methodology, data analytics and machine learning. We successfully navigated the challenges of fast switch to a work-from-home environment at a large scale, with limited impact in productivity; it helped a lot that we were already invested in the needed infrastructure.

Digital experience improved with e-token for all private individual customers and digital activation of Smart Mobile solution as well as integrating customer feedback platform in this solution. New technologies and tools to support digital readiness and Agile methodology refer to scale continuous integration or continuous delivery practice in order to shorten the systems development life cycle and provide high software quality. We started building a microservices infrastructure and continued to develop Omnichannel Layer concept to sustain flexibility, decoupling and reusability with a direct benefit in time-to-market business services. We also build an events-based infrastructure for sustaining real time data availability, based on modern technology like event streaming.

In the data analytics and machine learning field, we integrated and improved internal reporting systems and we explored Big Data infrastructure and implemented an advanced analytics sandbox for machine learning.

8. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The objective of financial reporting is to reflect the true and fair view of the statement of financial position, statement of comprehensive income and statement of cash flows, both consolidated and separate. Compliance with all accounting and financial reporting requirements is a prerequisite. The Management Board is responsible for defining and establishing a suitable internal control and risk management system that cover all financial reporting process.

The internal control system intended to provide the management all the needed information to ensure continuously improving internal control for accounting. The internal control system is designed to comply with all relevant guidelines and regulations and to optimize the conditions for specific control measures.

The consolidated and separate financial statements are prepared in accordance with Order No. 27/2010 of the National Bank of Romania and subsequent amendments which require that these consolidated and separate financial statements to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The consolidated and separate financial statements are published within first four months of the financial year following the reporting period.

Control environment

The internal control system in place includes:

- The hierarchical decision-making process for approving the Group and Bank directives and departments instructions.
- Process description for preparation process, quality control, approval, publication, implementation and monitoring the directives and instructions.
- Regulation for revision and repeal of directives and instructions.

The management of each Group member is responsible for implementing the Group directives. Compliance with regulations is monitored by the internal audit missions.

The Audit Committee monitors the accounting process and the effectiveness of internal control, audit and risk management system. The task of the Audit Committee includes the supervision of the annual audit of the consolidated and separate financial statements, which is done at least annually. The Audit Committee is responsible for preparing the Supervisory Board recommendation for selecting the financial auditor. Moreover, the Audit Committee discusses the efficiency of the risk management system and internal control system. The internal audit must provide to the Audit Committee with quarterly reports in areas audited and with audit findings resulted from the audit performed. The consolidated and separate financial statements are prepared within the Accounting Directorate, which reports to Chief Financial Officer.

Risk assessments

Significant risks relating to the Group accounting process are evaluated and monitored by the Management Board. Complex accounting standards can increase the risk of errors, as well as the use of inconsistent valuation standards. A difficult business environment can also increase the risk of significant financial reporting errors, also the estimation of the assets, especially of those affected by credit risk.

Control measures

All control measures constitute part of the day-to-day business processes and are used to prevent, detect and correct any potential errors or inconsistencies in the financial reporting. Control measures range from managerial reviews of interim results to the specific reconciliation of accounts, through analyzing ongoing accounting processes. The local management is responsible for ensuring implementation of mandatory internal control measures, such as the separation of functions and the principle of dual control.

Consolidation of the financial statements

The preparation of separate financial statements is carried out by each Group member. The Bank has consolidated the financial statements of its subsidiaries in accordance with IFRS 10 "Consolidated Financial Statements".

Information and communication

Before publication, the consolidated and separate financial statements are presented to the Board of Directors for approval and submitted to the Supervisory Board. The Supervisory Board is informed of the result of the audit by a statutory report regarding the audit of the consolidated financial statements by the auditor. The consolidated and separate financial statements are published on the company's website.

The annual consolidated and separate financial statements are presented for the approval to the Annual General Meeting, according to legislation in place and based on the Director's and financial audit reports issued for the respective financial year.

9. RISKS

Raiffeisen Group approaches risk in a prudent manner, in line with its long-term development goals.

Risk management

The risk management function is independent from the business and it is focused on the administration and control of the credit, market, liquidity, operational and reputational risk. The management body has overall responsibility for the establishment and oversight of the Bank's risk management framework. In this respect, it established the Assets & Liabilities Committee (ALCO), Credit Committee, Problem Loans Committee and Risk Committee, which regularly report to the Management Board and are responsible for developing and monitoring the Bank's risk management policies in the specified areas.

Raiffeisen Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to risk limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions, products and services offered.

Starting January 2014 following the issuance and coming into force of the EU Directive and Regulation regarding Basel III implementation, the Bank reports to the National Bank of Romania (NBR) the Leverage Ratio, the Liquidity Cover Ratio (LCR) and Net Stable Funding Ratio (NSFR).

The Bank also completed in 2014 the implementation and reporting of the European Banking Authority (EBA) standards concerning forbearance and non-performing exposures. The NBR and EBA regulations on recovery and resolution are applied by the Bank starting from 2015.

Starting from 2018 the Bank applies the IFRS9 requirements.

In the context of the complex regulatory environment, the Bank continues the efforts to adapt its IT architecture and the risk policies and procedures to the new legislative requirements and to the market evolution.

Credit risk

Credit risk analysis and assessment functions for all activity segments are fully centralized and currently represent a single point of contact for the entire Bank. Credit risk activity is organized by industries and specialized by customer segments. This allows a quick reaction to any major change in the micro or macroeconomic environment of Raiffeisen Bank or its customers. Starting with 2009, the Bank implemented a standardized early warning system in order to monitor certain categories of non-retail borrowing customers and retail borrowing customers. This system monitors, on a monthly basis, the selected portfolio in order to identify early warning signs and explain them. Based on these signs, customer portfolio is split into risk groups and actions/ strategies are proposed for the customers considered problematical.

Raiffeisen Bank received NBR approval to determine the capital requirement for credit risk according to internal rating models approach (IRB), starting with 2009, July 1st. Regarding the retail portfolio, Raiffeisen Bank received NBR approval to determine the capital requirement for credit risk according to advanced internal rating models approach (AIRB), starting with 2013, December 1st.

Market risk

Regarding market risk, the Bank currently uses the standard approach for capital requirement calculation. The market risk management is currently implemented through a market risk limits and warning levels structure applied to the Bank's exposures towards interest rate risk both from trading book and from banking book, foreign exchange risk and other subtypes of market risks. The close monitoring process and the monitoring frequency of the established limits and warning levels assure a prudent market risk profile for Raiffeisen Bank.

Liquidity risk

Assets and Liabilities Committee (ALCO) defines the liquidity risk strategy based on recommendations made by Balance Sheet and Portfolio Management Directorate, which is responsible for liquidity and funding management in cooperation with Group Risk Control and Portfolio Management Directorate, the area responsible for monitoring and control of liquidity risk. ALCO approves each year the limits which are applied to measure and control liquidity risk as well as the Bank's funding plan, which subsequently is approved by the Supervisory Board. The funding plan is updated at least annually in accordance with the balance sheet funding needs, taking into consideration all regulatory requirements imposed by the competent and resolution authorities.

The risk tolerance represents the foundation of the liquidity risk management framework and is defined:

- for normal business conditions as a maximum allowed maturity mismatch between assets and liabilities, for different time buckets. This prevents the accumulation of significant liquidity risk from current activity.
- for stress conditions, as a minimum level of liquid assets held as reserve. This ensures the Bank's capacity to absorb liquidity shocks for an acceptable time without significant changes to the strategy or business model.

The liquidity management function ensures the Bank has the capacity to respond to client needs and meet payment obligations. To achieve this objective, a conservative liquidity management is performed, aimed at maintaining adequate long-term funding, within a stable deposit base to support the bank's lending programs. In addition, on short term, an optimum level of readily available liquidity is maintained, which provides the ability to cover promptly the clients' requests for payments.

The Bank holds a sufficient buffer of liquid assets that can be used to compensate the limited access to funding sources and liquidity outflows during stress conditions. Liquidity management is performed in compliance with all regulatory requirements defined both at European and national levels. The transfer pricing mechanism represents an important instrument for the management of liquidity risks. It covers the balance sheet and off balance sheet elements and is designed to allocate all costs and benefits to the business segments in a way that incentivizes the efficient use of liquidity.

Diversification of our funding profile in terms of investor types, products and instruments is an important element of the liquidity management framework. Our core funding resources come from retail clients while other customers' deposits, interbank deposits and borrowings are additional sources of funding. This improves the Bank's flexibility in funding and diminishes, generally speaking, the liquidity cost.

Operational risks

Staring with 2010, January 1st, Raiffeisen Bank determines and reports the capital requirement for operational risk, using the standard approach based on the National Bank of Romania's approval from November 2009. This approval was based on the operational risk management framework developed throughout the Bank using the three lines of defence model and the advanced instruments such as: operational risk incidents database, operational risk indicators, risk scenarios, risk assessment matrix. Operational risk management framework is continuously improved being aligned with the operational risk management framework implemented at Group level. The Group received ECB approval for using the Advance Measurement Approach.

Reputational Risk

At bank level the management of reputational risk is structured on the following directions: defining the management framework and identification, evaluation, monitoring and management of the risk. In order to implement the risk strategy for reputational risk, the bank defined and approved the Reputational Risk Policy which details the roles and responsibilities regarding reputational risk and also the tools used to insure a proper management and control of this risk.

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Several tools specific for reputational risk are used:

- reputational risk indicators – indicators that measure the perception and behavior of the customers – number of complaints, indicators that measure the public perception in the mass-media, relationship with the state authorities.
- reporting of reputational risk events which are managed using specific flows and actions
- assessment of reputational risk using risk scenarios
- assessment of reputational risk as part of the bank risk profile.

Reputational risk is a priority for the Bank and we have a continuously focus to improve the management process especially on the level of the awareness of all the employees using specialized training programs.

Compliance risks

As defined in the local regulatory framework (NBR Regulation no. 5/2013 on prudential requirement for credit institutions) compliance risk is the current or future risk of affecting profits, own funds or liquidity, which may lead to significant financial loss or which may affect the reputation of a credit institution, as a result of violations or non-compliance with the legal and regulatory framework, with the agreements, recommended practices or ethical standards.

In Raiffeisen Bank, the compliance function is a permanent and effective second line of defense function, with the main responsibilities to identify, advice, assess, monitor and report on compliance risks and is represented by the Compliance Directorate. In RBRO, the Compliance Directorate has a periodic reporting obligation to both the management body in their executive and supervisory function and also a direct reporting line to the latter.

In RBRO, the management bodies oversee the implementation of the Compliance Policy, that is communicated and available for all staff on the Bank's intranet.

In order for properly addressing and managing compliance risk, taking also into account that compliance with laws and regulations is one of the main objectives of the organization as a whole, at RBRO level it was implemented the threes lines model, which allows for specific duties related to compliance risk and control/mitigants to be assigned and coordinated across all lines, as follows:

• **FLOD (First Line of Defense)** is represented by business areas, operations, IT etc, and their main responsibility is to own and manage risk by ensuring that the control environment is established as part of the day-to-day operations, considering also the provisions of art 29 - NBR Regulation no. 5/2013: *„The entire staff of a credit institution must be fully aware of their responsibilities in terms of risk management. The responsibility for risk management should not be limited to risk specialists or internal control functions. Operating units, under the supervision of the management body, are primarily responsible for the day-to-day risks management, taking into account the credit institution's risk appetite and risk capacity and in accordance with the credit institution's policies, procedures and controls."*

• **SLOD (Second Line of Defense)** is represented by the Compliance Directorate and its main responsibilities refer to: identification, advising, assessment, monitoring and reporting on compliance risks.

• **TLOD (Third Line of Defense)** is represented by the Internal Audit function and its main responsibility refer to an independent assurance of effectiveness and efficiency of internal control framework.

In RBRO, the Compliance area includes the following topics: AML, KYC, CFT, FISA, MIFID, MAD, Whistleblowing, Code of Conduct, Internal Control Framework, FATCA/CRS.

The compliance risk at RBRO level is assessed periodically, at least on an annual basis; the reassessment can be triggered by relevant compliance related events such as: changes in the regulatory framework; identified deficiencies as a result of compliance SLOD controls/Regulators Controls etc.

10. CORPORATE GOVERNANCE

Corporate governance stands for the set of principles and mechanisms based on which the company's management exerts its prerogatives of management and control with the purpose of reaching the envisaged objectives through implementing the adopted strategy, having an ongoing fair behaviour towards its clients, counterparts, shareholders, investors or supervisory authorities.

Raiffeisen Bank S.A. (The Bank) pays major importance to a responsible and transparent management in order to maintain fair information and confidence of different interested parties (not only of the participants on the capital market). Therefore, the Bank applies the principles defined in the Corporate Governance Code (CGC) of the Bucharest Stock Exchange (BSE), which can be found on their web page – www.bvb.ro.

The general meeting of shareholders (GMS)

The General Meeting of Shareholders ("GMS") is the supreme authority of the Bank. The General Meeting of Shareholders may be Ordinary or Extraordinary. In accordance with the Articles of Incorporations of the Bank and legislation in force, the General Meeting of Shareholders has a series of main competencies.

The Ordinary General Meeting of Shareholders' main competences:

- To discuss, to approve or to modify the annual financial statements of the Bank, upon the analysis of the Management Board's and Supervisory Board's reports, as well as that of the report and the opinion issued by the financial auditor, and to establish the dividends, if any;
- To elect the members of the Supervisory Board and the financial auditor of the Bank;
- To revoke the members of the Supervisory Board and the financial auditor of the Bank, whenever considered necessary;
- To set the remuneration for the Supervisory Board members, as well as the general principles and limitations with respect to the additional remuneration of the Supervisory Board members, as well as the general principles and limitations with respect to the remuneration of the Management Board members;
- To consider the performance of the Management Board members, to discharge them of liability and to decide to sue them, as case may be;
- To approve the budget of revenues and expenses and the business plan for the following fiscal year.

The Extraordinary General Meeting of Shareholders' main competences:

- The change of the legal form of the Bank;
- The merger of the Bank with other companies;
- The dissolution or the split of the Bank;
- The issuance of bonds and conversion of such bonds from a category into another or into shares;
- Decrease the bank's share capital;
- Any amendments to the Articles of Incorporation of the Bank.

The following competencies have been delegated to the Management Board:

- Change the bank's HQ;

- Modify the bank's object of activity, except for the change of the main field of activity and of the main object of activity;

- Increase of the share capital of the Bank, except when the increase of the share capital is made through an increase of the nominal value of the shares (if such is not performed by incorporation of reserves, benefits and issuance premiums) when the resolution approving the increase of the share capital shall be taken by the EGMS with unanimity of votes;

- The establishment or the closing down of certain ancillary headquarters, such as: agencies, and other similar units with no legal personality.

The conducting of the General Meetings of Shareholders, as well as the regulations with respect to the shareholders' rights and obligations, are regulated by Law no. 31/1990 on trading companies.

Administration structure

The administration of Raiffeisen Bank S.A. is performed by the dual management system consisting of the Management Board and the Supervisory Board. The dual management system allows for the segregation of the company's management responsibilities – carried out by the Management Board – from the responsibilities of control/supervision that are fulfilled by the Supervisory Board. The dual management system ensures the operational decision-making process to become efficient, while increasing control over the decision makers.

The Supervisory Board

The Supervisory Board exercises an ongoing control over the Bank's current management activity conducted by the Management Board. The Supervisory Board consists of 9 members appointed by the General Meeting of Shareholders within four-year mandates, being possible to be re-elected for additional mandates. As at 31.12.2020, the Supervisory Board structure and professional background of its members were as follows:

Johann Strobl – Chairman

Ph.D. in Economics at the University of Economics and Business Administration, Vienna, Austria

Hannes Mösenbacher – Vice-president

Ph.D. in Economics at the University of Economics and Business Administration, Vienna, Austria

Peter Lennkh – Member

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Master in Economics and Business Administration at the University of Economics and Business Administration, Vienna, Austria

Andreas Gschwenter – Member

MBA at the University of Innsbruck, Austria

Ileana-Anca Ioan – Independent member

Graduate of the Romanian-Canadian MBA Program and the Faculty of Automation of the Bucharest Polytechnic Institute

Ana Maria Mihăescu – Independent member

Graduate of the Faculty of International Economic Relations, Academy of Economic Studies, Bucharest

Andrii Stepanenko – Member

Ph.D. in Finance, Kiev National University of Economics, Ukraine

Lukasz Janusz Januszewski – Member

Master Degree of Economics, University of Warsaw, Poland

Pedro Miguel Weiss - Independent member

Master of Business Administration, Duke University, Fuqua School of Business, Durham, North Carolina, U.S.A., holding a certificate of Young Managers Program in 1989 from INSEAD, Fontainbleau, France

The main competences of the Supervisory Board:

- To set the exact number of Management Board members, as well as their competences;
- To appoint and revoke the Management Board members;
- To verify the Bank's managerial operations are compliant with the law, with the Articles of Incorporation and with the resolutions of the General Meeting of Shareholders;
- To provide the General Meeting of Shareholders with at least a yearly report with regard to the supervision activity undertaken;
- To convene the General Meeting of Shareholders on an exceptional basis, should this be required in the best interest of the Bank;
- To establish advisory committees as required by law, but not only, as these will be considered necessary in order to develop the Bank's activities. The committees will consist of Supervisory Board members;
- To approve and to periodically review the general principles of the remuneration policy as well as its implementation. To directly oversee the remuneration of the senior officers in the risk management and in compliance functions.

During 2020, 4 Supervisory Board meetings took place and their decisions were made by the unanimous votes of the attending members. Also, a number of 19 decisions were made by circulation.

The Supervisory Board has set up a number of 5 committees from among its members, namely: the Audit Committee, the Nomination Committee, the Remuneration Committee, the Executive Credit Committee and the Supervisory Board Risk Committee.

The 5 committees set up by the Supervisory Board:

Audit Committee

The objectives of the Audit Committee are to contribute to the improvement of the Bank activity (in developing and maintaining a good management practice) and to assist the Management Board and the Supervisory Board in their missions.

Audit Committee acts as the interface between the bank and the statutory auditor or audit firm and has an important contribution to keep a transparent relationship with the Bank's shareholders.

The statutory auditor or audit firm shall report to Audit Committee on the essential issues arising from the statutory audit and, in particular, on significant internal control deficiencies in financial reporting process.

Audit Directorate regularly provides Audit Committee with reliable information about its activity.

The Audit Committee acknowledges the synthesis of the audit reports concluded by the internal audit and informs the Management Board about the decisions considered appropriate for the improvement of the Bank's activity and of the internal control, based on internal audit recommendations from audit reports.

The responsibilities, organization and way of operation are defined by the Rules of Organization and Operations of Raiffeisen Bank S.A.

The Audit Committee is made up of 3 Supervisory Board members, namely:

Ana Maria Mihaescu – Chairman (Independent member on the Supervisory Board)

Andreas Gschwenter – Member

Ileana-Anca Ioan – Member (Independent member on the Supervisory Board)

During 2020, 4 Audit Committee meetings took place, the Committee's decisions being made by the unanimous votes of the attending members.

Nomination Committee

The Nomination Committee identifies and recommends to the Supervisory Board or the Bank's GMS to approve of the candidates who will fill in the vacancies on the Management Board, and the Supervisory Board, respectively, and it regularly assesses the balance of knowledge, skills, diversity and experience within the Supervisory Board and Management Board as well as the knowledge, skills and experience of each member of the Supervisory Board and of the Management Board and of the management bodies (Supervisory Board and respectively Management Board) as a whole.

The responsibilities, the organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank S.A.

The Nomination Committee is made up of 3 Supervisory Board members, namely:

Johann Strobl – Chairman

Hannes Mösenbacher – Member

Ileana - Anca Ioan – Member (independent member on the Supervisory Board)

During 2020, the Nomination Committee held 2 meetings, their decisions being made by the unanimous votes of the attending members.

Remuneration Committee

The Remuneration Committee assists the Supervisory Board in so far as remuneration is concerned, in particular that of the Management Board's and Supervisory Board's members in compliance with the principles and limits approved by GMS and taking into consideration the long-term interests of the shareholders, investors and other interest holders in the Bank. The responsibilities, organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank S.A.

The Remuneration Committee is made up of 3 Supervisory Board members, namely:

Johann Strobl– Chairman

Hannes Mösenbacher – Member

Ileana - Anca Ioan – Member (independent member on the Supervisory Board)

During 2020, the Remuneration Committee held one meeting, its decisions being made by the unanimous votes of the attending members. Also, there were 2 decisions made by circulation.

Executive Credit Committee

The Executive Credit Committee is empowered to approve the granting of loans including credit lines and contingent liabilities to a single borrower (or to one of more borrowers of an "economic entity") and country risk decisions which require the approval of the Supervisory Board according to the Bylaws of the Credit Committee approved by the Supervisory Board.

Also, the Executive Credit Committee is empowered to approve the restructuring, setting aside or releasing provisions and write-off of a problematic exposure and other matters in connection with handling of problem loan exposures of a single borrower (or one of more borrowers of an "economic entity") which require the approval of the Supervisory Board according to the Bylaws of the Problem Loan Committee approved by the Supervisory Board

The responsibilities, organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank S.A.

The Executive Credit Committee is made up of 2 Supervisory Board members, namely:

Hannes Mösenbacher – Chairman

Peter Lennkh – Member

During 2020, the Executive Credit Committee held 45 meetings, its decisions being made by the unanimous votes of the attending members.

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The Supervisory Board Risk Committee

The Supervisory Board Risk Committee provides consultancy to the Supervisory Board and Management Board on the Bank's strategy and risk appetite, and it assists the Supervisory Board and Management Board with supervising the implementation of the respective strategy. The responsibilities, organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank S.A.

The Supervisory Board Risk Committee is made up of 3 Supervisory Board members, namely:

Hannes Mösenbacher– Chairman

Johann Strobl – Member

Peter Lennkh – Member

During 2020, the Supervisory Board Risk Committee held 2 meetings, its decisions being made by the unanimous votes of the attending members.

Management Board

The Management Board ensures the managing of the Bank's current business and it consists of 7 members appointed by the Supervisory Board for mandates of up to 4 years, with the possibility of being re-appointed for additional time periods.

As at 31.12.2020, the Management Board structure and the professional background of its members were:

Steven van Groningen – President

Master in the Corporate Law, University of Leiden, The Netherlands

James Daniel Stewart, Jr. – Vice-president

Graduate of Finances and International Relations, University Lehigh-Bethlehem, BA USA

Vladimir Kalinov – Vice-president

Graduate of the Marketing and Management Institute, New Delhi, and of the Faculty of Commerce, University of New Delhi, India

Cristian Sporiş – Vice-president

Graduate of the Faculty of Finances, Insurance, Banks and Stock Exchanges, Bucharest University of Economic Studies, Romania

Mircea Busuioceanu – Vice-president

Graduate of the Executive MBA Program, University of Sheffield, and the Faculty of Finances, Banks and Accounting, Bucharest University of Economic Studies, Romania

Bogdan Popa – Vice-president

MBA in Financial-Banking Management, "Alexandru Ioan Cuza" University of Iaşi, Romania

Mihail Ion - Vice-president

Ph.D. in Economics at the Academy of Economic Studies, Bucharest and graduate of the Faculty of Finances, Insurance, Banks and Stock Exchanges, Finance and Banks specialization, Academy of Economic Studies, Bucharest

The Duties of MB

- Convening the GSM according to the legal requirements and the Articles of Incorporation of the Bank;
- Establishing the reference date for the shareholders entitled to vote in GSM;
- Making proposals for changes to the Articles of Incorporation of the Bank;
- Preparing and submitting to SB, at least every 3 months, a written report regarding the management of the Bank, its activity and its possible evolution as well as information regarding any other matters that could significantly influence the Bank;
- Preparing and providing SB periodically a report regarding the quality of the compliance management, including the assessment of compliance risks;
- Providing SB with the yearly financial situations and its performance report as soon as they have been issued, together with its proposal regarding the distribution of any profit before presenting the said proposal for the GMS' approval;
- Elaborating and periodically, at least once a year, revising the business plan and overall policies and strategies related to the credit institution activity;
- Forecasting the investment plan and income statement and submitting it to the GSM' approval.

With regard to the recovery activity, the duties of the Management Board are the following:

- assessment of the actual financial situation of the bank and of the potential threats;
- decision to initiate a recovery measure;
- nomination of the recovery team responsible to implement the initiated measure;
- monitoring of the execution of the initiated recovery measure and decision to be taken.

According to the Articles of Incorporation the following duties have been delegated by GSM to the MB:

- Relocation of headquarters to another address;
- Modification to the bank's object of activity except for the change to the main field of activity and of the main object of activity;
- Increase in the bank's share capital, except for the case when this is made through an increase in the nominal value of the shares (on condition that the increase is not achieved through the incorporations of reserves, benefits and issuance premiums), in which case the decision regarding the share capital increase will be made by the Extra-ordinary GSM unanimously;
- Establishment and closing down of any territorial bank units with no legal personality.

The main competences of the Management Board:

- The Management Board has all the powers of management and disposal and of authorization of all transactions falling within the Bank's scope and has competences in the field of monitoring the appropriate and productive functioning of the internal control system, except for the competences expressly granted by law or by other Bank's regulations to the Supervisory Board's and/or the GSM's competence(s);
- Take measures to adopt all business decisions for the implementation of the provisions of the business plan and the budget of Bank;
- Approve the Rules of Organization and Operation (ROO) - in Romanian called ROF;
- Approve the Organizational Chart and internal structure of the directorates;

- Approve the Collective Bargaining Contract – in Romanian called CCM;
- Appoint and revoke the Directors in the HQ and network and decide their remuneration. For territorial units, no matter the type, these competences are delegated to the Vicepresident, coordinator of Retail Banking Division;
- Approve the acquisition/sale/disposal of assets;
- Approve the set-up/closure of new subsidiaries;
- Approve capital increase/decrease of subsidiaries;
- Approve Bank investments/divestment in other companies or financial institutions;
- Establish competencies regarding credit granting (Credit Committee);
- Approve the credit terms for 3rd parties in special relationship with the bank;
- Approve the number of personnel and establish the remuneration policy in the Bank;
- Approve the credit norms for bank's employees;
- Establish the various committees under its supervision provided by the law, may establish other committees and ratifies their decisions;
- The Management Board approves/reviews the Bank's strategies and policies (including those risk-related) and reviews and submits to Supervisory Board Risk Committee for approval the risk strategy, the risk profile and the Bank's risk manual as well as the results of the yearly risk assessment;
- Any other competences pursuant to mandatory legal provisions (that cannot be legally delegated).

The Management Board set up a number of 9 committees, namely: Asset and Liabilities Committee, Risk Committee, Credit Committee, Problem Loan Committee, Private Individuals Credit Committee, Project Portfolio Committee, Rules and Procedures Committee, Security Council and Investment & Product Governance Committee.

Also, mention should be made that the Management Board has delegated a series of competences:

- To the Credit Committee – the implementation of the credit policies within the limit of the competences granted and the administration of the credit risk;
- To the Risk Committee – the supervision of the implementation and observation of the "General Principles of Risk Management" in Raiffeisen Bank S.A., except for the liquidity risk and market risk (delegated to the Asset and Liabilities Committee) and the lending risk (delegated to the Credit Committee);
- To the Asset and Liabilities Committee – the management of the Bank's balance-sheet and the drawing up of the overall financial policy of Raiffeisen Bank S.A.; the monitoring and establishing of the limits for the liquidity risk and the market risk; the approval of the pricing strategy (interest rates, commissions and fees, and taxes);
- To the Rules and Procedures Committee – the approval of the rules and procedures to be applied in the Bank.

During 2020, the Management Board held 67 meetings, and its decisions were made by the unanimous votes of the attending members. Also, 15 decisions were made by circulation.

The 9 committees set up by the Management Board:

Asset and Liabilities Committee (ALCO)

ALCO is responsible for managing the bank's Balance Sheet aiming at achieving sustained growth, profitability and solvency. The main goal is to manage assets and allocate funding sources by aligning growth and profitability targets as well as funding mix and capital constraints in order to meet return and risk objectives. From within the Risk Framework, the ALCO:

- sets the strategies for the management funding, liquidity, interest rate risk and market risk as well as capital planning;
- establishes guidelines to meet various applicable regulatory rules and statues;
- forms a consistent co-policy with other policies of the Bank therefore aligning the management of various risks facing the bank;
- approves the pricing strategy (interest rates, commissions and fees).

Risk Committee (RC)

RC approves the bank's Risk and Internal Control System Frameworks and ensures, through proper policies, standards and methods of Risk Management, that these risks are controlled, with defined boundaries. Supervising the policies, standards and methods implementation, RC ensures risk is within the risk appetite accepted by the Bank.

Credit Committee (CC)

The Credit Committee is authorized to review and decide on all the limit exposures additional to the existing individual approval competences and it is responsible for observing the rules and regulations, as they are mentioned in the Credit/Lending Manual and the Bank's endorsed lending procedures.

Problem Loan Committee (PLC)

The Problem Loan Committee is established and operates as a decision-making body with regard to the problem exposures and it has the authority to approve the first applications immediately after being transferred to the Credit Restructuring and Recovery Directorate, applications for restructuring/recovery strategies, credit reviews, debt write-offs, IFRS provision build-up and release for all types of clients.

Private Individuals Credit Committee

The Private Individuals Credit Committee has the authority to decide non-standard PI Credit Applications and post disbursement requests. The PICC is structured on two different decision levels and has the power to decide on credit applications up to Eur 2 mn.

Project Portfolio Committee (PPC)

The Project Portfolio Committee (PPC) is the decision body which reviews the performance of the existing Project Portfolio, examines and selects new Projects, prioritizes selected Projects, examines the viability of the Project Portfolio based on the bank's strategy and reshapes the Project Portfolio, in its quality of product owner of projects backlog. In special cases the PPC also conducts individual Project reviews. PPC also decides on wallets structures per divisions for small initiatives.

Raiffeisen BANK

Rules and Procedures Committee

The Rules and Procedures Committee approves the rules, procedures and other regulations within the Bank and makes sure that they are compliant with the operational requirements and compatible with the other internal and external regulations.

Security Council

The Security Council of Raiffeisen Bank is the top decision forum regarding security within Raiffeisen Bank Romania. The Security Council propose to the Directorate the security strategy, decides security policies and should express the commitment of top management regarding the active support for security within the organization. The Security Council is also representing an interdisciplinary forum regarding security where possible interdisciplinary issues are solved.

The Security Council role is to increase the visibility of security function within organization and should make the top management aware of security current status and security current risks.

Investment & Product Governance Committee

The Investment & Product Governance Committee acts on two distinct areas of competence:

- The Investment Advisory competence is aimed at endorsing and monitoring the investment strategy supporting the «Investment Advisory Services»;
- The Product Governance competence manages the bank's «Product Governance Process» for financial instruments offered to specific target markets regardless if they are distributed for execution only, advisory free or advisory. A PGP needs to be done for all in-scope products manufactured and distributed (including third-party products) and has the purpose:

  a) to fulfil the legal and compliance requirements to offer this specific product to the defined end client and

  b) to provide strategic decisions if and via which a product should be offered.

CONFLICTS OF INTEREST

At RBRO level, there are in place dedicated Conflict of Interest policies for both RBRO's staff and Management bodies (Management and Supervisory Board). The management bodies are responsible for the establishment, approval and oversight of effective implementation of conflict of interest (COI) policies.

RBRO is monitoring COIs in order to prevent bribery and corruption as well as any other conduct that could negatively impact the RBRO's clients and partners. The internal COI policies are intended to effectively identify, assess, manage and mitigate or prevent actual and potential conflicts of interest, including those related to financial services performed by the bank.

The internal policies impose staff and management bodies to report immediately any situation that could result in a conflict of interest stemming from close relationships, supplementary jobs, events participations, gifts, invitations and trades with financial instruments. Conflict of interests could as well arise in relation with corruption, fraud and market abuse.

Where conflicts of interest arise, RBRO assesses their materiality and takes appropriate mitigation measures.

In respect to policies applied to management bodies, the Management Board members should declare to the Supervisory Board all the personal interests significant for the transactions involving both the Bank and the Group companies, as well as any other conflicts of interest. They must inform the other Management Board members, too. The Management Board members also filling in management positions within other companies should ensure a fair balance between the interests of the companies in question.

The Supervisory Board members should immediately report to the President of the Supervisory Board all the potential conflicts of interest. In the event the President himself is faced with a conflict of interest, he should immediately report it to his Vice-president. The company contracts concluded with the Supervisory Board members that compel them to render a service in favor of the company or a subsidiary, outside their obligations as Supervisory Board members, in exchange of a compensation at all insignificant, requires the approval of the Supervisory Board. This also applies to contracts concluded with companies in which a Supervisory Board member has a significant financial interest.

PRACTICES OF REMUNERATION, SELECTION AND ELEMENTS OF DIVERSITY

The system of remuneration of Raiffeisen Bank S.A. promotes a fair and efficient risk management and does not encourage assuming risks over the tolerated levels. This is in line with the Bank's and Raiffeisen Bank International (RBI) Group's long-term business strategy, objectives, values and interests and it incorporates measures to avoid conflict of interest.

The remuneration policies of Raiffeisen Bank S.A. are approved by the RBRO Supervisory Board through the Remuneration Committee.

The compensation system in Raiffeisen Bank S.A. is governed by the following principles:

1. The Compensation system supports the company's long-term business strategy and objectives, its interests and values by using the set of key performance indicators (KPI) of RBI and the key cultural competences.
2. The principles of compensation incorporate measures to avoid the conflict of interest.
3. The compensation policy and principles are in accordance with and promote solid and efficient risk management practices and avoid variable payment for assuming risks over the tolerant level for the institution through KPIs and process management (e.g.: the process of Assessing Performance, risk committees).
4. Compensation is based on a functional structure and IT is linked to performance. Besides, special rules apply to the personnel whose professional activity has a material impact on the risk profile.
5. Compensation is competitive, sustainable and reasonable and it is defined in accordance with the relative value of work, market and practice.
6. The fixed compensation is defined in principle in accordance with the market conditions.
7. The compensation structure (variable payment proportion relative to fixed compensation) is balanced, allowing each employee to have adequate level of remuneration based on fixed salary.
8. All variable payment programs include minimum levels of performance and a maximum payment threshold.

9. The individual performance is the consequence of the results obtained and of the competences, based on both quantitative and qualitative measures, valued within the process of performance assessment and considering financial and non-financial criteria.
10. The personnel employed in control functions are compensated independently from the business unit they supervise, has the appropriate authority and their remuneration is determined on the basis of achieving their own objectives without taking into consideration the results of the area they monitor. The fixed and variable remuneration structure should be in favor of the former.

If an employee is paid a variable compensation, this is done for the measured performance. Performance is translated into results and behavior: "what" and "how", according to the system of performance management. Therefore, all the variable compensation schemes are linked to the management of performance or a comparative system of setting the targets.

Measuring the performance for the employees holding control functions (e.g. risk, audit, compliance) reflects the specific requirements of the respective positions.

Compensating the employees holding control functions is in accordance with touching the objectives related to the respective functions and, in an independent manner, by the business areas they supervise, but in proportion with their role in the Bank.

In Raiffeisen Bank S.A., the recruitment policy for selecting the management structure members establishes the criteria and procedure according to which the compatibility of those proposed / appointed as members of the management body should be assessed, and the assessment criteria of those holding key functions, too.

The Fit & Proper Policy in Raiffeisen Bank S.A. establishes the applicable internal procedures and criteria for assessing compatibility, in accordance with the local legal provisions (NBR Regulation no. 5/2013 on prudential requirements for credit institutions, NBR Regulation no. 6/2008 on beginning the activity and modifications in the situation of the credit institutions, Romanian legal entities and Romanian branches of third parties' credit institutions). The policy also defines measures applicable in situations whereby those persons are not compatible with the positions in question and how permanent compatibility is ensured.

As both the EBA guidelines and the NBR Regulation no. 5/2013 contain mentions with regard to the importance of diversity at the top level management, in addition to the standard set of compatibility criteria as regulated through the fit and proper policy, we are aware that the differences in gender, culture, education and experience of the top management members can only add more value to our organization.

Having in view the current structure of the management body, we precisely state that the principle of diversity from the gender point of view has been implemented by the appointment of Mrs. Ileana-Anca Ioan and Mrs. Ana Maria Mihăescu as independent members on the Supervisory Board of Raiffeisen Bank S.A.

This Report was analysed and approved by the Management Board of Raiffeisen Bank S.A in the meeting of March 22, 2021.

Mihail Ion

Vice-president of the Board of Directors

Raiffeisen Bank S.A.

APPENDIX TO DIRECTORS' REPORT

Raiffeisen Bank Romania 2020 non-financial statement

About Raiffeisen Bank

Raiffeisen Bank S.A. ("Raiffeisen Bank Romania", "Raiffeisen Bank", "the Bank"), part of the Austrian banking Group Raiffeisen ("the Group"), has been present in Romania since 1994. Offering a full range of banking products and services, at the end of 2020 the Bank's network consisted of 333 agencies, 726 ATMs, over 23,400 POSs and 392 multifunctional machines and a portfolio of 2,072,343 million private individual customers, 99,197 SMEs and 5,313 companies.

In 2020, we continued to focus on digitally transforming banking, a process that was accelerated by the pandemic. The number of electronic payments made increased significantly by 80% in the first half of the year. Smart Mobile was the most downloaded mobile banking application in Romania in March[1] 2020, transactions made through the mobile and internet banking apps increased by 73% compared to 2019, while digital payments made through RaiPay, Apple Pay or Garmin Pay doubled. If 83,000 customers were using these applications last year, they now make up 200,000 users. These increases in numbers demonstrate the customers' appreciation for the Bank's digital solutions.

Mission, vision and values

In Raiffeisen Bank's vision, ensuring the sustainable development of the company is our obligation towards the society, stakeholders and ourselves. Our mission is to enable this journey towards a sustainable community and to support customers by providing them with the right financial products and services. In our day-to-day work, we are guided by solid values, which are reflected in everything we do: collaboration, responsibility, learning and proactivity.

The year 2020 emphasized the importance of transparency and the ability to respond to unforeseen situations. Although it was a difficult year, full of unpredictable events, which forced us to reevaluate the way we operate, we acted quickly in order to ensure the continuity of the business in safe conditions and to come to the aid of our employees, customers and partners, but also to support society in facing this challenge.

We want to deliver "Proper banking" to our customers, and this requires responsibility and commitment. We prove these values define us by publishing an annual sustainability report, a practice that has already become a tradition, this being the twelfth year in which we transparently publish non-financial performance indicators.

[1] According to AppAnnie monitoring app.

An essential part of developing the sustainability report is identifying the areas where the Bank generates economic, social and environmental impacts, as well as consulting our stakeholders. The materiality analysis research was conducted between January and February 2021. This process is carried out every two years and follows the methodology proposed by the Global Reporting Initiative (GRI) standards. The sustainability report also meets the requirements of the Order of the National Bank of Romania no. 7/2016 and the Order of the Ministry of Public Finance 3,456/2018.

The areas where Raiffeisen Bank generates significant impact, resulting from the analysis carried out with the help of the Bank's management team (board members and department managers) are the following:

1. Occupational health and safety
2. Human rights assessment
3. Financial education
4. Volunteering and community investments

Transparent information regarding products and services Stakeholder consultation revealed the following areas of interest:

1. Management and leadership
2. Anti-corruption
3. Human rights assessment
4. Transparent information regarding products and services
5. Innovation

The 29 material topics resulting from the analysis were grouped into three categories:

1. Economic:
    - Anti-corruption
    - Management and leadership
    - Innovation
    - Public policy
    - Anti-competitive behavior
    - Economic performance
    - Market presence
    - Indirect economic impacts
2. Social
    - Customer privacy
    - Sustainable finance
    - Marketing and labeling
    - Transparent information regarding products and services
    - Procurement practices
    - Employment
    - Occupational health and safety
    - Diversity and equal opportunity
    - Training and education
    - Labor-management relations
    - Non-discrimination
    - Human rights assessment
    - Volunteering and community investments
    - Socioeconomic compliance

- Stakeholders and community engagement
- Financial education
- Security practices

3. Environment
   - Energy
   - Waste
   - Emissions
   - Materials

Affiliations

● Employers' Associations: The Council of Banking Employers in Romania (CPBR), Employers' Confederation "Concordia"

● Professional Associations: Romanian Association of Banks (RAB), Romanian Association for Electronic Payments (APERO), Romanian Factoring Association (ARF), Fund Managers Association (AAF)

● Business Associations: The Coalition for the Development of Romania, Foreign Investors Council (FIC), German Economic Club Association (DWK)

● Chambers of Commerce: American Chamber of Commerce in Romania (AmCham), Chamber of Commerce Switzerland – Romania, German-Romanian Chamber of Commerce (AHK), Netherlands-Romanian Chamber of Commerce (NRCC)

● Others: Aspen Institute Romania (ASPEN), Romania Green Building Council (RoGBC)

Steven van Groningen, President & CEO of Raiffeisen Bank, holds the following positions on the governing bodies of the various associations: Chairman of the Concordia Board of Directors; Member of the CPBR Board of Directors; Member of the FIC Board of Directors; CDR Steering Committee Member; Founding Member of the Aspen Romania Institute.

As part of the Raiffeisen Bank International Group, we respect and promote the ten principles of the United Nations Global Compact (UNGC):

HUMAN RIGHTS

principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

principle 2: Businesses should make sure that they are not complicit in human rights abuses.

LABOR

principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor.

principle 5: Businesses should uphold the effective abolition of child labor.

principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

principle 7: Businesses should support a precautionary approach to environmental challenges.

principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

We also support and contribute to the 17 Sustainable Development Goals, outlined by the United Nations and adopted by all Member States (including Romania) since 2015. This set of goals is a framework designed to guide the sustainable development of the society. The sustainability report that will soon be published is also to include a mapping of the Bank's contribution to achieving these goals.

In addition, we are founding members of the Chamber of Commerce for Diversity, which aims to promote diversity and inclusion in business and support entities run by persons belonging to minority groups, including women, LGBTQ+ people, people belonging to ethnic minorities and people with disabilities.

Corporate governance structure

Corporate governance is the set of principles and mechanisms based on which the company's management exercises its leadership and control prerogatives, in order to achieve its goals proposed by implementing the adopted strategy, always having a fair conduct towards customers, counterparties, shareholders, investors or supervisory authorities.

The Bank places great importance on responsible and transparent management, which aims to ensure that the Bank correctly informs its stakeholders and maintains their trust (not just capital market participants). Thus, the Bank applies the principles defined in the Corporate Governance Code (CGC) of the Bucharest Stock Exchange (BVB), which can be found on the Stock Exchange's website, here.

The General Shareholders' Meeting

The General Shareholders' Meeting (GSM) is the superior decision-making authority of the Bank. The General Shareholders' Meeting may be Ordinary or Extraordinary. In accordance with the Bank's Articles of Incorporations and the legislation in force, the General Meeting Shareholders' Meeting has a series of main competences:

- The Ordinary General Shareholders' Meeting:
  - To discuss, to approve or to modify the annual financial statements of the Bank, upon the analysis of the Management Board's and Supervisory Board's reports, as

well as that of the report and the opinion issued by the financial auditor, and to establish the dividends, if any;

- To elect the members of the Supervisory Board and the financial auditor of the Bank;
- To revoke the members of the Supervisory Board and the financial auditor of the Bank, whenever it is considered necessary;
- To set the remuneration for the Supervisory Board members, as well as the general principles and limitations with respect to the additional remuneration of the Supervisory Board members and the general principles and limitations with respect to the remuneration of the Management Board members;
- To consider the performance of the Management Board members, to discharge them of liability and to decide to sue them, if necessary;
- To approve the budget of revenues and expenses and the business plan for the following fiscal year.

o The Extraordinary General Shareholders' Meeting:

- The change of the Bank's legal form;
- The merger of the Bank with other companies;
- The Bank's dissolution or division;
- The issuance of bonds and conversion of such bonds from a category into another or into shares;
- Decrease the Bank's share capital;
- Any amendments to the Articles of Incorporation of the Bank.

The manner in which the General Shareholders' Meetings are conducted, as well as the regulations with respect to the shareholders' rights and obligations, are regulated by Law no. 31/1990 on trading companies.

Administration structure

The administration of Raiffeisen Bank S.A. is performed by a dual management system consisting of the Management Board and the Supervisory Board. The dual management system allows for the segregation of the company's management responsibilities – carried out by the Management Board – from the responsibilities of control/supervision that are fulfilled by the Supervisory Board. The dual management system ensures that the operational decision-making process becomes efficient, while increasing control over factors that influence it.

The Management Board

The Management Board ensures the managing of the Bank's current business and it consists of 7 members appointed by the Supervisory Board for mandates of up to 4 years, with the possibility of being re-appointed for additional time periods.

Competences delegated to the Management Board:

- Relocation of headquarters to another address;
- Modification to the Bank's activity, except changing the main field of activity and the main object of activity;
- Increase the Bank's share capital, except when this is made through an increase in the nominal value of the shares (provided that the increase is not achieved through the incorporations of

reserves, benefits and issuance premiums), in which case the decision regarding the share capital increase will be made by the Extraordinary General Shareholders' Meetings unanimously;

- Establishment and closing down any territorial bank units with no legal entity.

The Supervisory Board

The Supervisory Board exercises an ongoing control over the Bank's current management activity conducted by the Management Board. The Supervisory Board consists of 9 members appointed by the General Shareholders' Meeting within four-year mandates, being possible to be re-elected for additional mandates.

The main competences of the Supervisory Board:

- To set the exact number of Management Board members, as well as their competences;
- To appoint and revoke the Management Board members;
- To verify the Bank's managerial operations are compliant with the law, with the Articles of Incorporation and with the resolutions of the General Shareholders' Meeting;
- To provide the General Shareholders' Meeting with at least a yearly report with regard to the supervision activity undertaken;
- To convene the General Shareholders' Meeting on an exceptional basis, should this be required in the best interest of the Bank;
- To establish advisory committees as required by law, but not only, as these will be considered necessary in order to develop the Bank's activities. The committees will consist of Supervisory Board members;
- To approve and to periodically review the general principles of the remuneration policy as well as its implementation. To directly oversee the remuneration of the senior officers in the risk management and in compliance functions.

During 2020, 4 Supervisory Board meetings took place and their decisions were made by the unanimous votes of the attending members. Also, a number of 19 decisions were made by circulation.

The Supervisory Board has set up a number of 5 committees from among its members, namely: the Audit Committee, the Nomination Committee, the Remuneration Committee, the Executive Credit Committee and the Supervisory Board Risk Committee.

Business ethics and responsibility

In addition to strictly complying with national and international law, the regulations of the Code of Conduct implemented at Group level, as well as the norms of the Corporate Governance Code (CGC) of the Bucharest Stock Exchange, Raiffeisen Bank's daily activity is guided by ethics and responsibility.

The Bank's Code of Conduct (updated in January 2020) forms the foundation of a corporate culture based on integrity. The Bank expects all employees to act responsibly, not engage in any inappropriate behavior, especially intentional, violating or requiring others to violate the Code of Conduct.

Employees are advised to express their concerns and promptly report any fraudulent attempts or possible violations of laws or regulations to their managers. Any breach of the Code of Conduct may have consequences under the labor law, including early termination of the employment contract.

The company also expects all suppliers and partners of the Bank to comply with the Code of Conduct or other identical or similar rules, regulations and standards.

All employees are encouraged to report any suspicions about irregularities in their day-to-day work. Thus, two channels are available for them to submit notifications, remaining under the protection of anonymity:

- The Whistleblowing platform (managed at RBI Group level): rbi.whispli.com/whistleblowing
- Whistleblowing E-mail – dedicated local e-mail address: whistle.blowing@raiffeisen.ro

In 2020, 7 complaints were reported via Whistleblowing E-mail. Of these, 4 were disproved, and 3 concerned inappropriate behavior of some employees. Thus, measures were adopted according to the internal regulatory and legislative framework.

Conflicts of interest

At the level of Raiffeisen Bank Romania, specific policies are defined, in force, regarding Conflicts of Interest, both for the Bank's staff and for the Governing Bodies (Management and Supervisory Board). Governing bodies are responsible for establishing, approving and overseeing the effective implementation of conflicts of interest policies.

Conflicts of interest are monitored in order to prevent bribery and corruption, as well as to prevent any other conduct that could have a negative impact on the Bank's customers and partners. The conflicts of interest internal policies are intended to help identify, assess, manage and mitigate or prevent current and potential conflicts of interest, including those related to the financial services provided by the Bank.

Internal policies require staff and management bodies to immediately report any situation that could lead to a conflict of interest resulting from close personal relationships, additional employment contracts, participation in events, gifts, invitations and transactions with financial instruments. Conflicts of interest could also arise in connection with acts of corruption, fraud and market abuse.

In 2020, the Bank registered two complaints from employees/partners regarding the existence of potential conflicts of interest at company level.

Based on the complaints received, the Bank performed specific internal audits and took measures to manage and monitor conflicts of interest in accordance with the internal regulatory and legislative framework.

More information on how the Bank ensures that it minimizes the risk of conflicts of interest can be found in the Financial Report, *Conflicts of Interest* section.

Anti-corruption policy

The Bank takes responsibility for preventing and combating corruption and bribery and implements a rigorous internal set of rules that meet the highest international standards. Raiffeisen Bank complies with the Romanian legislation on anti-corruption, as well as the standards of the Raiffeisen Bank International Group. When there are differences between the Romanian legislation and the Group standard, Raiffeisen Bank applies the more restrictive standard.

Corruption and bribery can take many forms, including by offering or accepting direct or indirect payments, excessive gifts, sponsorship donations, preferential payments or facilitating services. Employees are authorized to accept or offer gifts and invitations that are appropriate to their position in the company only in certain circumstances, subject to the limitations, approvals and registration requirements defined in the Bank's internal rules, but are strictly prohibited from offering or receiving monetary gifts or equivalent.

Acts of corruption committed by employees or partners who have contractual relations with the Bank are unacceptable.

The risks of corruption are assessed and closely monitored by the Anti-fraud and Anti-corruption Department, which is responsible for developing, updating and implementing internal regulations designed to eliminate the risk of acts that contravene the Bank's ethical standards:

- a company-wide anti-corruption policy, revised in August 2020
- a policy on managing and preventing conflicts of interest, revised in September 2019
- a policy on conflicts of interest for members of the Management Board and the Supervisory Board, updated in April 2019

The Anti-Fraud and Anti-Corruption Department assesses and monitors the risks of corruption both within the company and externally, in relation to service and product providers and in sponsorship and charitable actions.

In 2020, all employees were informed regarding the company's anti-corruption policies and procedures during a mandatory training. In fact, in 2020 there were no cases of corruption involving Raiffeisen Bank employees or company partners.

Thus, the Bank was not involved in any corruption incident leading to the dismissal or disciplinary sanction of employees and there were no public lawsuits or lawsuits against the Bank, based on suspicions of corruption.

During the reporting period, 36% of Raiffeisen Bank's operations were assessed in terms of corruption risks in 4 areas:

1. The process of vetting new employees
2. Supplier screening process (services, rented spaces)
3. Sponsorship and charitable actions
4. Conflicts of interest - including gifts and invitations

The evaluation of operations aims to identify and avoid potentially significant risks, such as giving and taking bribes, abuse of authority, reputational risks, etc.

Personal data protection

During the reporting period, there were 25 legal proceedings, concluded with final court decisions, regarding violations of the legislation regarding customer data protection and privacy, in which customers requested that Raiffeisen Bank delete negative data from record systems such as Credit Bureaus, and to cease future reporting of negative data to the Credit Bureau. Another 11 lawsuits were filed in 2020 following the sanctioning of the Bank by the National Authority for Consumer Protection for non-compliance with laws and/or regulations in the social and economic field.

In 2020, there were no legal proceedings regarding the Bank's anti-competitive behavior or anti-trust and monopoly violations, in which the organization was identified as a participant.

Indicator	2018	2019	2020
Total number of fines/warnings for non-compliance with regulations on the provision and use of financial products and services (National Authority for Consumer Protection)	21 fines	16 warnings and 28 fines	2 warnings and 25 fines
Total number of fines/warnings for non-compliance with laws or regulations regarding processing customer personal data	7 warnings	2 warnings and 1 fine	0 warnings or fines

Risk management in the banking sector

The Raiffeisen Group approaches risk in a prudent manner, in line with its long-term development objectives.

The risk management function is independent of the commercial one and focuses on the management and control of the following risks: credit risk, market risk, liquidity risk, operational risk, reputational risk.

The Management Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. In this respect, it established the Assets & Liabilities Committee (ALCO), Credit Committee, Problem Loans Committee and Risk Committee, which regularly report to the Management Board and are responsible for developing and monitoring the Bank's risk management policies in the specified areas.

Raiffeisen Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to risk limits. Risk management policies and systems are regularly reviewed to reflect changes in the market conditions, products and services offered.

Starting January 2014, following the issuance and coming into force of the EU Directive and Regulation regarding Basel III implementation, the Bank reports to the National Bank of Romania (NBR) the Leverage Ratio, the Liquidity Cover Ratio (LCR) and Net Stable Funding Ratio (NSFR).

In 2014, the Bank also completed the implementation and reporting of the European Banking Authority (EBA) standards concerning forbearance and non-performing exposures. The NBR and EBA regulations on recovery and resolution are applied by the Bank starting with 2015. Starting 2018, the Bank applies the IFRS 9 requirements.

In the context of the complex regulatory environment, the Bank continues its efforts of adapting the IT architecture, as well as the risk policies and procedures, to the new legislative requirements and to the market evolution.

The Bank is currently developing and implementing tools to identify, measure and manage social and environmental risk.

Credit risk

Credit risk analysis and assessment functions for all activity segments are fully centralized and currently represent a single point of contact for the entire Bank. Credit risk activity is organized by industries and specialized by customer segments. This allows a quick reaction to any major change in the micro or macroeconomic environment of Raiffeisen Bank or its customers.

Starting with 2009, the Bank implemented a standardized early warning system in order to monitor certain categories of non-retail borrowing customers and retail borrowing customers.

This system monitors, on a monthly basis, the selected portfolio, in order to identify early warning signs and explain them. Based on these signs, customer portfolio is split into risk groups and actions/strategies are proposed for the customers considered problematic.

Raiffeisen Bank S.A. received NBR's approval to determine the capital requirement for credit risk according to internal rating-based (IRB) models approach starting 2009, July 1st. As regards the retail portfolio, Raiffeisen Bank received NBR's approval to determine the capital requirement for credit risk according to advanced internal rating-based models approach (AIRB) starting 2013, December 1st.

Market risk

Regarding market risk, the Bank currently uses the standard approach for capital requirement calculation. The market risk management is currently implemented through a market risk limits and warning levels structure applied to the Bank's exposures towards interest rate risk, both from trading book and from banking book, foreign exchange risk and other subtypes of market risks. The close monitoring process and the monitoring frequency of the established limits and warning levels assure a prudent market risk profile for Raiffeisen Bank.

Liquidity risk

The Management Board defines the liquidity risk strategy based on recommendations made by the units responsible for liquidity and funding management in cooperation with the area responsible for monitoring and controlling of liquidity risk.

The main tools used for liquidity risk management and control purposes are: liquidity gap report, liquidity scorecard, regulatory liquidity indicator, early warning system, regulatory liquidity coverage ratio (LCR), and internal stress test.

Operational risk

Starting with January 1st, 2010, Raiffeisen Bank determines and reports the capital requirement for operational risk using the standard approach that was approved by the National Bank of Romania's in November 2009.

This approval was based on the operational risk management framework developed by Raiffeisen Bank by implementing an operational risk management model based on three defense lines and on certain advanced tools, such as: operational risk incidents database, operational risk indicators, risk scenarios, risk assessment matrix. Both the operational risk management tools and process are continuously improved, being aligned with the operational risk management framework implemented at the Group level.

Reputational risk

Within the Bank, reputational risk management is structured on the following directions: defining the management framework and identification, evaluation, monitoring, and management of the risk.

In order to implement the risk strategy for reputational risk, the Bank defined and approved the Reputational Risk Policy, which describes the roles and responsibilities regarding reputational risk, and also the tools used to insure proper management and control of this risk.

Tools used for assessing and managing reputational risk:

- reputational risk indicators (indicators that measure the perception and behavior of the customers – i.e., number of complaints; indicators that measure the public perception in the mass media; and indicators reflecting the relationship with government authorities);
- collecting and reporting of reputational risk events, which are managed using specific flows and actions;
- assessment of reputational risk as part of the Bank's risk profile.

Reputational risk is a priority for the Bank, and therefore we continuously focus to improve the management process, especially in terms of raising the awareness of all employees through specialized training programs.

Sustainable finance

We are aware of the essential role that the financial system plays in the transition to a green economy. Our wish is that Raiffeisen Bank contributes to the sustainable development of the company and generates a positive impact, both through the way it operates and through the projects it chooses to finance.

Thus, the Environmental and Social Risk Management Policy was implemented in 2014, which provides the framework on which the Social and Environmental Management System is developed. It includes criteria that apply to internal activity, such as topics regarding human resources management, procurement practices with minimal negative impact, but also criteria applicable in the financing (through loans or investments) assessment process for corporate clients.

In addition, in 2020 we continued to map out our portfolio, based on environmental, social and corporate governance (ESG) topics. Raiffeisen Bank's portfolio includes renewable energy projects, sustainable real estate projects, financing initiatives aimed at supporting entrepreneurship and, in 2020, it also included financing programs aimed at supporting the economy and the corporate environment in the context of the COVID-19 pandemic.

The sustainability criteria used in the portfolio mapping process are defined according to internal rules of Raiffeisen Bank International, developed following the European legislation in force. These are grouped into two main categories: green financing (which generates a positive impact on the environment and climate) and social financing (which generates a positive impact on the society or includes social aspects). In addition to topics such as renewable energy and sustainable real estate, green financing includes criteria such as energy efficiency, sustainable mobility, waste and emission reduction, protection of nature and other environmental issues. Social financing includes, among others, criteria such as social entrepreneurship, healthcare, culture and education.

At the end of 2020, 12.9% of the value of loans granted to corporate clients were directed towards sustainable real estate projects.
15.7% of the value of loans granted to corporate clients were directed towards projects aimed at supporting the society and companies in the COVID-19 context.

32% of Raiffeisen Bank International's green bond portfolio is found in Romania.

Sustainability and sustainable crediting are also aspects that we take into account regarding individual customers. 47% of the real estate loans granted by the Bank in 2020 financed the acquisition of high energy performance (energy class A) real estate.

At the beginning of 2020, we added Raiffeisen Global Equity to our investment products offer. It is the first fund in Romania that incorporates environmental, social and corporate governance (ESG) factors in its investment decision. The fund, denominated in euro and managed by Raiffeisen Asset Management, aims to provide individual investors with access to the growth potential of both global and local stock markets, under professional investment and risk management terms. Raiffeisen Global Equity proved to be of high interest for investors.

Our team

We are aware of the responsibility we have towards our employees, yet we are also aware of the risks that can appear. We are permanently guided by solid values and we take actions that prevent and minimize the potential impact of these risks.

Considering Romania's current labor market, lack of motivation & satisfaction and staff turnover can represent risks that can alter the Bank's operational continuity. Therefore, we minimize these risks by having a constant dialogue with our employees, in order to measure their satisfaction level, that can guide us when it comes to developing an action plan based on their specific feedback and needs. We are also permanently connected to the labor market evolution and trends. Therefore, ever since 2019, the Bank developed the Work From Home Program, as work schedule flexibility became more and more important for our employees.

The tools we use to stay in permanent touch with our employees: we are offering them multiple channels to contact us and communicate their complaints, suggestions and feedback. Also, we perform an annual performance evaluation, helping employees professionally evolve and stay in line with their objectives, needs and wishes. Moreover, to help keep them motivated and ensure work-life balanced, we organize the RStyle well-being program, with themes that approach mental and physical health.

Another risk that can also affect the Bank is the lack of workforce in Romania. Therefore, it is very important for us to develop long lasting, trust worthy relationships with our employees, helping them evolve professionally and develop new skills. At Raiffeisen Bank Romania, one of the fundamental aspects of the Human Resources policy is continuous learning. In order to support that, we provide numerous trainings and courses for them to try, learn and develop new skills. In 2020, our colleagues had a total of 15.676 hours of training.

Work environment

We are aware that our performance would not have been possible without the work of a close-knit team, made up of almost five thousand people at the end of 2020. An open-minded team that is dedicated to our customers and communities, acting guided by solid values, which embody Raiffeisen Bank's vision.

Our values

Collaboration

We work together. If we collaborate, discuss, listen and help each other, we will always have the desired results. We will create an environment of understanding, respect and trust, in which we encourage diversity and teamwork.

Responsibility

We act responsibly. We take responsibility for our actions, for significant changes. Individually or as a team, we make decisions responsibly and take responsibility for the results of our work. We are aware of the consequences of our actions and we are responsible members of society, for which we support sustainable business.

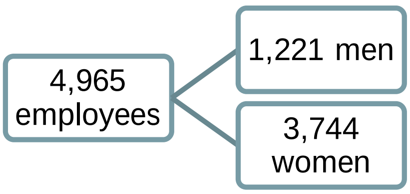
Learning

We are eager to learn. This way we come to know personal progress and learn from experiences, education and sharing knowledge. Sometimes, experimenting can lead to mistakes, but this way we will be able to become even better, because learning and curiosity help us innovate.

Proactivity

We are proactive. We look towards the future and we lead the change. We focus on opportunities, not on threats and we transform indecision into decisions and reactivity into proactivity. Through courage and determination, we make a difference, because even slow progress today will lead to great results tomorrow.

In 2020, our team consisted of 4,965 employees, of which 75.41% were women, while the average age was 37.5 years.



Employees by working hours

Employees by working hours	2020		
	Men	Women	Total
Full time	1,204	3,684	4,888
Part time (from 1 h to 7 h)	17	60	77
Total employees	1,221	3,744	4,965

Employees by employment contract

Employees by employment contract	2020			
	Head offices		Network/Agencies	
	Men	Women	Men	Women
Permanent	793	1,501	372	2,041
Temporary	37	110	19	92
Total employees	830	1,611	391	2,133

Number of employees in head offices

Number of employees in head offices	2020	
	Number	% of total employees in head office
Sky Tower	637	13%
Office Building	1,020	21%
Brașov Operational Center	536	11%

Employee Opinion Survey

In 2020, the Bank conducted another annual edition of the research study on the level of commitment and efficiency, Employee Opinion Survey (EOS), in collaboration with the company selected at Group level, through a platform that offers us direct access to manage the study as administrators. This study helps us understand the factors that influence the two important pillars for our organization (commitment and efficiency). In addition to the standard questions agreed at Group level, we maintained the practice of including additional questions, specifically created to measure the perception of leadership traits for all management levels.

Internal Collaboration Satisfaction Survey (ICSS)

In 2020, the Bank conducted a new annual edition of the satisfaction study on the internal interaction carried out during the year, in collaboration with our traditional partner in this project, IPSOS Romania. Through this study, we evaluate the level of employee satisfaction every year, so that we can initiate specific actions, in order to increase employee satisfaction regarding internal collaboration, to achieve performance and, last but not least, to increase external customer satisfaction through our services.

Employee turnover

In 2020, employee turnover decreased significantly, reaching 14.62%, compared to 24% in the previous year.

Category	2020			
	New employees		Employees who left the company	
Gender	Number	Percentage	Number	Percentage
Women	581	11.70%	520	10.47%
Men	192	3.87%	206	4.15%
Total	773	15.57%	726	14.62%
Age				
<30 years	453	9.12%	291	5.86%
30-50 years	296	5.96%	335	6.75%
>50 years	24	0.48%	100	2.01%
Total	773	15.57%	726	14.62%
Office/location				
Head offices	331	6.67%	269	5.42%
Network/Agencies	442	8.90%	457	9.20%
Total	773	15.57%	726	14.62%

When calculating employee turnover rates, employees who left the company involuntarily, as a result of agencies closing, were also included.

Diversity and equal opportunities

We strongly believe that all citizens have equal rights, that diversity is an essential element of any strong society, and we strive to ensure that we, at Raiffeisen Bank, also contribute to the development of an inclusive world by including this belief in our day-to-day work, through the policies and measures adopted at Bank level. In addition to complying with national legislation, we are guided by internationally developed principles in this regard, such as the European Convention on Human Rights and the Universal Declaration of Human Rights.

We emphasized how important this topic it to us in 2018, when we signed the Diversity Charter, and thus, publicly committed to respect and promote values such as diversity, equal opportunities and social inclusion. In addition, at the end of 2019, a Diversity and Inclusion Officer was appointed within Raiffeisen Bank, responsible for transforming our vision into specific measures.

Starting June 2020, we launched an internal communication campaign on diversity - Part of Diversity. The communication campaign included articles and interviews with colleagues or representatives of the subject of diversity, addressing various topics - collaboration between generations and the benefit of learning at any age, successful women, causes of discrimination, identifying various disabilities. The approach included an information and awareness component, but also concrete actions for diversity. We used the training materials from the eLearning platform on the subject of diversity and we prioritized interesting courses on the subject of diversity every month, which addressed several topics: understanding unconscious prejudices, maintaining cohesive multigenerational teams, reconciling diversity, cultivating a passion for learning.

We included the course Code of conduct in coworker relations in the portfolio of mandatory courses that Raiffeisen Bank employees must follow and we launched, in the second half of 2020, a course on diversity at the Banking University. The course is mainly addressed to colleagues with recruitment responsibilities (including managers), but also to all colleagues interested in the subject of diversity at work and in their personal contribution to a more inclusive work environment. The topics presented refer to the stereotypes in thinking & prejudice; the role of emotional intelligence; discrimination - types and forms of discrimination; harassment and its forms; statistics & challenges for Romania; recommended actions in case of discrimination; individual contribution to a diverse and inclusive work environment; behaviors of leaders who support diversity and inclusion.

During 2020, we published and updated our policy on diversity in the workplace and the policy on the prevention of discrimination and harassment in the workplace.

Starting August 2020, we included the ideal employee profile in the job announcements for new positions (internally and externally): "At Raiffeisen Bank, the selection and promotion of people is based exclusively on skills. We are open to diversity and non-discrimination and encourage the inclusion of all employees, for an efficient, creative and pleasant work environment, with a good work-life balance! In our bank, the ideal employee profile does not take into account age, but enthusiasm and passion, it does not take into account religion, but the desire to learn, it does not take into account gender, but professionalism, it does not take into account ethnicity, but rather skills and competences! The more different we are, the more value we can create together."

During 2020, we conducted several surveys to find out the expectations and suggestions of colleagues about working during the pandemic, so as to ensure that we maintain a proper work-life balance. The most important suggestions received from our colleagues were related to ensuring a flexible work schedule and the possibility to continue working from home/remotely and to ensure sanitary protection measures. These proposals have been implemented and developed throughout the organization.

In 2020, there were no incidents of discrimination among employees and no human rights violations were recorded.

Employees by age and role within the company

Category	2020							
	Men				Women			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Board	0	4 54.14%	3 42.86%	7	0	0	0	0
B-1*	0 0.00%	19 0.38%	3 0.06%	22 0.44%	0 0.00%	8 0.16%	12 0.24%	20 0.40%
B-2**	0 0.10%	39 0.79%	9 0.18%	53 1.07%	3 0.06%	63 1.27%	11 0.22%	77 1.55%
Other management position	9 0.18%	131 2.64%	18 0.36%	158 3.18%	12 0.24%	243 4.89%	87 1.75%	342 6.89%
Specialists	301	575	112	988	906	1.920	479	3.305

	6.06%	11.58%	2.26%	19.90%	18.25%	38.67%	9.65%	66.57%
Total	315 6.34%	764 15.39%	142 2.86%	1.221 24.59%	921 18.55%	2.234 44.99%	589 11.86%	3.744 75.41%

*B-1 (Board-1) represents the first level of management, after top-management/Management Board.
**B-2 (Board-2) represents the second level of management, after top-management/Management Board.

In 2020, 56.4% of senior management positions (Board-1 and Board-2) within Raiffeisen Bank Romania were held by women, experiencing a slight increase compared to the previous year (55.34%).

Number of employees with disabilities	2018		2019		2020	
	Men	Women	Men	Women	Men	Women
Specialists	4	14	12	13	5	16

Remuneration and benefits policy

Remuneration Committee

The Remuneration Committee assists the Supervisory Board regarding remuneration, in particular of the members of the Management Board and the Supervisory Board, in accordance with the principles and limits approved by the General Shareholders' Meeting and taking into account the long-term interests of shareholders, investors and of other interest holders in the Bank. The attributions, organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank S.A.

The Remuneration Committee consists of 3 members of the Supervisory Board:

- Johann Strobl - President
- Hannes Mösenbacher - member
- Ileana-Anca Ioan - member (independent member of the Supervisory Board)

During 2020, a meeting of the Remuneration Committee took place, the decisions were made by the unanimous votes of the attending members. Also, 2 decisions were made by circulation.

Remuneration system

The system of remuneration of Raiffeisen Bank S.A. promotes fair and efficient risk management and does not encourage assuming risks over the tolerated levels. This is in line with the Bank's and the Group's long-term business strategy, goals, values and interests and it incorporates measures to avoid conflict of interest.

The remuneration policies of Raiffeisen Bank S.A. are approved by the Bank's Supervisory Board through the Remuneration Committee.

The compensation system in Raiffeisen Bank S.A. is governed by the following principles:

1. The compensation system supports the company's long-term business strategy and goals, its interests and values by using the set of key performance indicators (KPI) of RBI and the key cultural competences.
2. The principles of compensation incorporate measures to avoid conflicts of interest.
3. The compensation policy and principles are in accordance with and promote solid and efficient risk management practices and avoid variable payment for assuming risks over the tolerant level for the institution through KPIs and process management (e.g. the process of Assessing Performance, risk committees).
4. Compensation is based on a functional structure and it is linked to performance. Besides, special rules are applied to the personnel whose professional activity has a material impact on the risk profile.
5. Compensation is competitive, sustainable and reasonable and it is defined in accordance with the relative value of work, market and practice.
6. Fixed compensation is defined, in principle, in accordance with the market conditions.
7. The compensation structure (the variable payment proportion relative to fixed compensation) is balanced, which allows each employee to have an adequate level of remuneration based on the fixed salary.
8. All variable payment programs include minimum levels of performance and a maximum payment threshold.
9. Individual performance is the product of the results obtained and of the competences based on both quantitative and qualitative measures, valued within the process of performance assessment and considering financial and non-financial criteria.
10. The personnel employed in controlling functions is compensated independently from the business unit they supervise, has appropriate authority and their remuneration is determined on the basis of achieving their own goals without taking into consideration the results of the area they monitor. The fixed and variable remuneration structure should be in favor of the fixed remuneration.

If an employee is paid a variable compensation, this is done for measured performance. Performance is translated into results and behavior: "what" and "how", according to the performance management system. Therefore, all variable compensation schemes are linked to performance management or a comparative system of setting the targets.

Value of the average salary, compared to the salary at national level	2018		2019		2020	
	Average employee salary compared to average salary (%)	Average employee salary compared to minimum salary (%)	Average employee salary compared to average salary (%)	Average employee salary compared to minimum salary (%)	Average employee salary compared to average salary (%)	Average employee salary compared to minimum salary (%)

Average employee salary	147	361	149	370	146	355
Average junior employee salary: Bucharest	204	500	123	304	178	434
Average junior employee salary: outside Bucharest	107	261	131	326	107	259

Both full-time and part-time Raiffeisen Bank employees have access to the same benefits, regulated by the Remuneration Policy and the Collective Labor Agreement:

- healthcare
- insurance in case of disability or invalidity (resulting from work-related accidents)
- parental leave
- retirement benefits

All employees of the Bank benefit from the provisions of the Collective Labor Agreement.

Value of the benefits package as % of salary	2018			2019			2020		
	Specialists	Management	Top Management	Specialists	Management	Top Management	Specialists	Management	Top Management
	6.3	3.3	1.1	6.3	3.3	1.1	6.3	3.3	1.1

Parental leave

In 2020, 404 employees applied for and received parental leave (398 women and 6 men).

Parental leave	2018		2019		2020	
	Men	Women	Men	Women	Men	Women

Total number of days of leave*	3,236	22,853	430	22,085	762	22,670
No. of employees who were entitled to parental leave	10	616	48	586	16	511
No. of employees who benefited from parental leave	3	437	6	420	6	398
No. of employees who returned to work at the end of their parental leave**	4	136	0	158	3	153
No. of employees who returned to work after maternity/paternity leave and were still employed 12 months after their return	3	95	0	134	1	151
Return rate	100.00%	31.12%	0.00%	84.00%	0.00%	74.83%
Retention	75.00%	69.85%	0.00%	85.00%	33.00%	98.69%

*No. of days of parental leave taken in 2020 by those who started the leave that year.

**No. of employees who began their parental leave in 2020 and in prior years, and returned to work.

WorkFromHome Program

The Bank has implemented the WorkFromHome Program within its headquarters since 2019, and in 2020 this program was extended to the agencies network and the Brașov Operational Center, with applicability for eligible functions in terms of job content and information security.

> In 2020, 40% of Raiffeisen Bank employees worked from home in order to be protected in the context of COVID-19.

With local management administration, flexible hours work schedule was implemented, with different start and end working hours, in order to combat congestion in the means of transport and at the office in the pandemic context.

Employee development

Employee training and education is a constant concern for our organization and one of the strategic directions in human resources. Through the development programs offered to our employees, we aim to directly contribute to individual, team and therefore organizational performance.

At the beginning of 2020, employee training mainly took place in the classrooms, and starting with March, through online sessions - webinars. These were supported by both external suppliers and the Bank's internal trainers.

In 2020, we launched development programs inspired by the organizational strategy and aligned with the organizational culture, aiming to strengthen employees' functional and leadership skills, as well as increase their level of engagement. The programs offered addressed all employees in the business segment and support areas, in order to improve the professional abilities of the entire Raiffeisen Bank team.

The learning and development tools and channels available to our employees are varied: technical training, skills development transversal programs, certifications, conferences and workshops. Starting March, they were exclusively organized online.

A challenge for 2020 was to adapt courses developed for in-person training to being taught online by the Bank's internal consultants, in order to ensure the continuity of the learning process. We adapted all the materials and the delivery method in a very short time, ensuring a rapid shift to the different needs of the learning process in the context of the pandemic. In developing and delivering the programs, we aimed to contribute to the employees' learning and education process, providing quality content and approaching modern methods. We also continued to optimize support methods and technologies: experiential learning, interactive platforms and gamification.

In 2020, we also launched a new section on the Bank's e-learning platform, EasyClass, an online library, which includes over 500 courses divided into 12 topics. The platform also offers a catalog with the description of each course, giving our colleagues the opportunity to choose and browse any topic of interest to them.

The EasyClass e-learning platform also hosts the Digital Academy program, consisting of online courses for our colleagues in the agencies, a learning source to help them advise the Bank's clients in using the digital tools provided by Raiffeisen Bank.

Regarding the agencies network, the Raiffeisen School training program that addresses new employees continued online starting March and was adapted to the specifics of the activity in the agencies. It includes introductory courses in the company's activity, understanding of products, operations, lending, customer relations and involves the use of multiple learning methods, adapted to the current business context and in step with new trends and technologies. The course syllabus for colleagues in the agency network is configured according to the specifics of each role in the agency. In 2020, 240 sessions were organized within this program.

For the employees in head offices, we continued the professional skills and leadership development programs. In 2020, we continued organizing Leadershift - the leadership program addressed to all managers, both new and existing, who have not previously attended a leadership module.

The program provides managers with the right tools to support, in this role, the development of the people they work with and the teams they coordinate.

Another program launched in 2020 is Transform the Present, which aimed to identify and develop leadership behaviors that are the strengths of our organizational culture.

In 2020, we also developed the Lead the future program, a program that aims to identify and develop the leadership skills of colleagues in non-managerial positions.

We continued the Banking University program through webinars. Our fellow experts in various fields related to banking have held online webinars for other colleagues interested in growing professionally, thus sharing highly applicable practical knowledge. Among the sessions held at the Banking University were new topics, such as the Agile Basics, Part of Diversity webinars, etc.

In 2020, 23 lecturers actively participated in the Banking University online program, and 997 colleagues participated in one or more of the 106 sessions held during the year.

At the same time, Raiffeisen Bank continued the RStyle well-being program, in order to encourage employees maintain an optimal work-life balance. The program has been running for 7 years, and in 2020 focused on two pillars: RBody and EmotionR. The online events had various topics: sports, nutrition, health, personal development and parenting. In the online version, the events received the same appreciation as in previous years.

Average number of training hours/employee, by category	2018		2019		2020	
	Men	Women	Men	Women	Men	Women
B-1*	63.56	76.36	35.82	61.62	59.91	55.55
B-2**	68.08	68.91	42.00	37.67	43.74	37.36
Other management positions	33.58	30.60	28.24	27.15	23.34	27.98
Specialists	39.82	36.75	32.89	33.30	33.77	53.62
Total	40.28	36.87	32.70	32.97	33.37	50.95

B-1 (Board-1) represents the first level of management, after top-management/Management Board.
**B-2 (Board-2) represents the second level of management, after top-management/Management Board.

Examples of training sessions, by topic (hours)	2020
Sales Skills	8,020
Basic Operations	2,064
Agile Basics	1,588
Induction	892
Basic Credits - Mortgage	1,812
Easy Mortgage	1,300

Total no. of hours	15,676

iGrow

In 2020, the iGrow platform was relaunched, with a new design and new functionalities, with the role of presenting possible career developments for all positions in the Bank.

Human Resources – Performance Management Business Partnership

The performance partnership was also carried out in 2020, with the organization of on-site feedback sessions at the beginning of the year for the previous year, while the setting of objectives was organized through online sessions. In 2020 we changed our benchmark on values, and will include in the evaluation: Collaboration, Learning, Responsibility, Proactivity.

Performance evaluation and career development plan	Men		Women	
	No.	%	No.	%
B-1*	22	100%	20	100%
B-2**	53	100%	77	100%
Other management positions	158	100%	342	100%
Specialists	988	100%	3,305	100%
Total	1,221	100%	3,744	100%

* B-1 (Board-1) represents the first level of management, after top-management/Management Board.
** B-2 (Board-2) represents the second level of management, after top-management/Management Board.

Recruitment

In 2020, the recruitment team completed over 1,000 recruitments and selections, by identifying the right candidates, both inside and outside the organization.

Programs for new hires

In 2020, the management trainee program called Banker2Be, aimed at acquiring talent and skills training, took place as follows: 14 young people were trained for a period of 3 months, learning the activity in agencies, with an emphasis on sales responsibilities. After completing the training period, the young people were employed in Raiffeisen agencies.

At the same time, at the beginning of the year, 7 young future specialists in enterprise technologies within the IT Division started their careers as part of the Raiffeisen Siebel CRM Academy program. The young people were selected from about 100 candidates who participated in the recruitment and selection process. Their training process consisted both in being allocated a dedicated buddy, trainings (from service providers) and in a team project, through which the young people had the opportunity to apply the notions accumulated in the program (learning by doing).

During 2020, we employed a number of 19 young people who took part in Management Trainee programs addressing key areas of the Bank, such as the Business Intelligence team, the Compliance Department and the Audit Department.

Towards the end of the year, we responded to business needs in areas such as Banking Security, IT Audit and Accounting-Reporting by organizing the Raiffeisen BeTech Academy program. By selecting 7 candidates from the over 190 applications, the recruitment process took place in parallel, each candidate having the opportunity to opt for a specific business area, depending on their knowledge and profile.

The internships within Central Administration were carried out complying with social distancing norms, according to regulations in force and using the online communication channels.

The internships are addressed only to students or master students who want to get acquainted with the spirit and culture of a multinational organization. During an internship, young people are presented with the activity flows within a bank.

Occupational health and safety

The Occupational Health and Safety management system was implemented based on the Health and Safety Law no. 319/2006 and the Methodological Norms for applying the provisions of the law by Government Decision no. 1,425/2006.

The purpose of the Internal Service for Occupational Health and Safety (OH&S) is to ensure the best conditions in the work process, protection of life, physical and mental integrity, maintaining the health of workers or other persons participating in the work process.

Responsibilities of the internal service:

- organizes and carries out the occupational health and safety activity;
- elaborates and carries out the general induction training for the Bank's employees;
- identifies the risks of work-related accidents and occupational disease and proposes measures to assess them (with the help of the occupational physician and healthcare providers);
- keeps records of work-related accidents in the Bank's units, as well as of occupational diseases;
- collaborates in the research, registration and record of work-related accidents at the Territorial Labor Inspectorates and at the Labor Inspectorate;
- prepares the documentation for complying with the legislation and norms regarding maternity protection;
- collaborates in the development of rules, procedures, regulations and instructions in the field of occupational health and safety and organizes first aid courses.

At the same time, the service analyzes and evaluates the risks of accidents and occupational diseases. This is a crucial step in the overall OH&S management process with regard to the strategy for selecting appropriate security measures, aiming at intrinsic prevention, choosing the optimal protection measures and providing information on risks. Access to information is done through the e-learning platform: Compulsory courses – OH&S training.

All employees are trained and have the obligation to carry out their activity in such a way as to not expose themselves or other people participating in the work process to risk of injury or occupational disease. When a hazard is observed, the employee is trained and informed to strictly follow the next steps:

- turn off the equipment and/or halt the activity;

- evacuate the personnel from the danger zone;
- notify specialized services and their superiors;

Training is done every six months, on the e-learning platform. Also, the related materials regarding occupational health and safety are made available to employees on the Bank's Intranet: President Division – OH&S Team. Within the company there is an Occupational Health and Safety Committee composed of 8 trade union representatives and 8 employer's representatives.

The company's risks are identified through the method developed by the National Research and Development Institute for Occupational Safety (INCDPM): The method of assessing the risks of occupational injury and illness. Risk is a dimension of danger characterized by two elements: probability and severity.

Workers can report any situations that pose a threat to their safety using the dedicated e-mail address: protectia.muncii@raiffeisen.ro.

Many accidents occur due to carelessness, impatience and speed or inability to make the right decisions under certain conditions. In the urban areas, there are large crowds of traffic participants of all types: drivers, cyclists, motorcyclists and pedestrians. To prevent such incidents, we organize regular trainings on work-related accidents and defensive driving courses. However, in 2020, two incidents took place in which Raiffeisen Bank Romania's employees were involved. The accidents took place on the pedestrian crossing, while the traffic light was green for pedestrians. The victims' statements show that they were traveling from home to work, on their usual route. The victims started crossing the street at the pedestrian crossing and were hit by a car. The two employees (a man and a woman) benefited from sick leave for the required period, as per the medical certificate.

Sustainable partnerships

The COVID-19 pandemic once again emphasized the need for transparency, accountability and commitment: we had to adapt to the new context as soon as possible in order to maintain a safe environment for our employees, customers and partners.

Although it still poses many challenges, the current context also gives us the opportunity to reflect, analyze and act differently. One thing is certain: we need change, commitment, responsibility and sustainable investment. We can turn this moment into an opportunity and rethink the way we address the many warning signals that arose in the past years - climate change, unequal opportunities, access to education - and to come together to support the sustainable development of Romanian society.

Our suppliers

Year	Local suppliers and service provider (RON/EUR)	Other suppliers and service provider (RON/EUR)	Total (RON/EUR)

2018	838,905,442/ 180,022,627	187,752,397/ 40,290,214	1,026,657,839/ 220,312,841
2019	1,064,804,905/ 227,765,755	159,057,866/ 34,023,073	1,223,862,771/ 261,788,828
2020*	748,746,734/ 154,792,486	197,742,810/ 40,880,447	946,489,544/ 195,672,933

*Average exchange rate: 1 EUR = 4.8371 RON

79% of the Bank's procurement budget was spent with local suppliers, who represent over 93% of all suppliers.

Year	Local suppliers and service provider	Other suppliers and service provider	Total	Out of which new suppliers
2018	1,154	116	1,270	76
2019	1,202	136	1,338	91
2020	1,366	102	1,468	372

Community investments

From the beginning of the COVID-19 pandemic, we knew that 2020 would not nowhere near what we planned before it started. We quickly understood that we need to be there for the community and all our stakeholders - from employees, customers, suppliers and partners, to the vulnerable social groups we support every year, to strategic community involvement programs and the national health system - and that only together we can overcome a situation for which no one was prepared.

Thus, we mainly allocated financial resources to community partners who were constantly connected to the urgent needs of society at that time, while also offering in-kind resources and volunteering hours provided by our colleagues during the work hours and beyond.

Education continued to play an important role in our portfolio of community projects and the largest share of the community investment budget (36%). We continued the strategic educational partnerships, which in turn adapted. Financial education and access to education programs for children from vulnerable backgrounds played an important role in Raiffeisen Bank's community investments, as have entrepreneurial education and leadership programs.

The pandemic had a major impact on culture. Supporting Romanian arts and culture is one of Raiffeisen Bank's strategic community investments directions. Therefore, we kept our promise and supported artists who experienced extremely uncertain times. We understood the need to transform physical events into online ones and we chose to support the efforts this industry made to survive, an industry that is vital to our society's health and development.

We approached projects promoting sports as part of a healthy lifestyle similarly. We all understood that playing sports can play an essential role in maintaining our emotional and physical balance. We continued supporting sports events in 2020, even if some of them had to adapt, for the safety of the participants. The 2020 edition of the Raiffeisen Bank Bucharest International Marathon could not fill the streets of the Capital with color. However, over 3,000 runners from all over the country gathered virtually and ran independently for a duration of two weeks.

Our urban ecology programs continued in 2020 - I'velo Urban and I'velo Relax bike rental centers helped respect social distancing norms and provided a safe and environmentally-friendly alternative to traditional urban mobility.

We knew that only if we joined forces could we overcome this challenge. That collaboration between authorities, companies and the civil society is needed, as we are aware that we all play a role in minimizing the negative impacts of the pandemic. We joined the business sector, NGOs and state institutions in their efforts to support the national health system during the first months of the pandemic. Although healthcare is not one of the Bank's strategic community investments areas, the urgency of the situation led us to get involved in fighting the spread of the virus. We acted quickly and allocated 1.6 million lei in direct donations to several hospitals across the country, at the onset of the pandemic.

Looking back, this year has undoubtedly been a turning point. A difficult year, but one that offered us the opportunity to directly see and feel how valuable generosity and solidarity are. This year has given us the opportunity to reposition ourselves, as a society, on values such as solidarity, empathy and responsibility.

The main results of 2020 are:

• The total value of investments reported using the LBG methodology exceeded 1.43 million EUR, reaching an average of 333 EUR per employee.

• Just as in previous years, NGOs were our main community partners, but we also came to the aid of public institutions such as hospitals or educational institutions.

• The 10th edition of the Raiffeisen Communities grants program attracted 149 applicants, out of which we chose 11 winning projects, instead of the usual 10 projects. These were subsequently financed with 50,000 lei each to meet local needs in different areas of education.

• 518 colleagues chose to volunteer this year, dedicating 766 hours to the programs organized by the Leaders Foundation, United Way and the Hercules Association or to judging the projects in the Raiffeisen Communities grant competition.

• We continued to support projects regarding culture and sports that bring art and culture closer to people and that encourage people to embrace a healthier lifestyle. We continued the partnerships dedicated to the Sibiu Theater Festival, the SoNoRo Festival, the Bucharest International Marathon and others.

Community investments key figures (2019 vs. 2020)

2019	2020

285 employees volunteered to the community projects supported by the company The Bank's employees allocated 1,058 hours to volunteering in the projects supported by the company On average, community partners managed funds of 111,322 lei Raiffeisen Bank’s contribution per employee = 1,448 lei	518 employees volunteered to the community projects supported by the company The Bank's employees allocated 766 hours to volunteering in the projects supported by the company On average, community partners managed funds of 106,661 lei Raiffeisen Bank’s contribution per employee = 1,614 lei

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Investment value (lei)	4,874,168	5,153,524	6,110,235	8,049,468	7,586,711	7,586,711	7,871,837	8,668,890	7,745,378	9,626,271	7,292,715	6,929,994

Approaching community investments strategically is important for Raiffeisen Bank, just as we approach business. Over the years, we have directed our investments into four strategic areas, without ignoring other urgent initiatives or needs of society. In 2020, the total value of sponsorships was 6,929,994 lei, 5% lower than the previous year's investments. The difference from the previous year comes from two considerations. The first is that for some of the annual strategic projects we have postponed the conclusion of sponsorship contracts from the end of 2020 to the beginning of 2021. Thus, these contributions will be found in the next reporting period. The second reason for the slight decrease of the community investment budget in 2020 was determined by sports and culture events being cancelled, as some of them could not be organized online, but will continue once the context allows it.

In 2020, the Bank diversified its community investments portfolio with donations that targeted hospitals in particular, but also other institutions that offer medical services in the COVID-19 context - county ambulance services or senior centers. We knew from the beginning of the pandemic and then during the emergency period that only together with our colleagues, partners, clients and communities, will we be able to return to normal. In short, our initiatives aimed at preventing the spread of the COVID-19 pandemic consisted of:

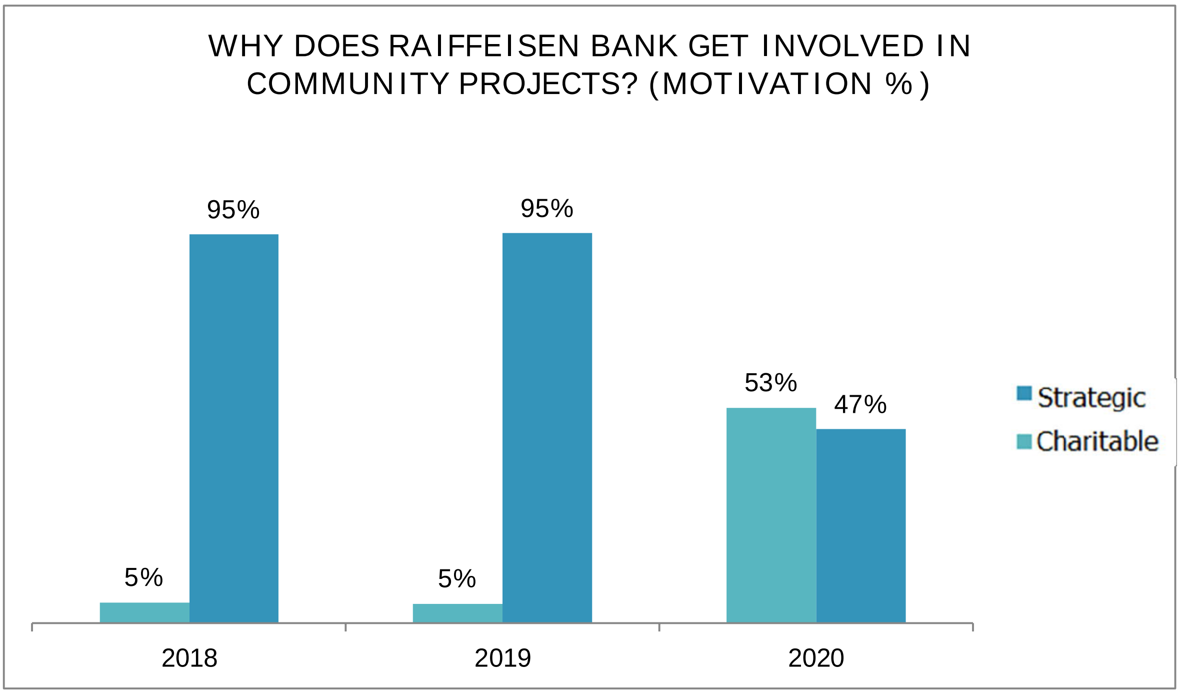
• Supporting the Romanian medical system through donations of 1.6 million lei to county and municipal hospitals and ambulance services that urgently needed funds for protective materials for medical staff.

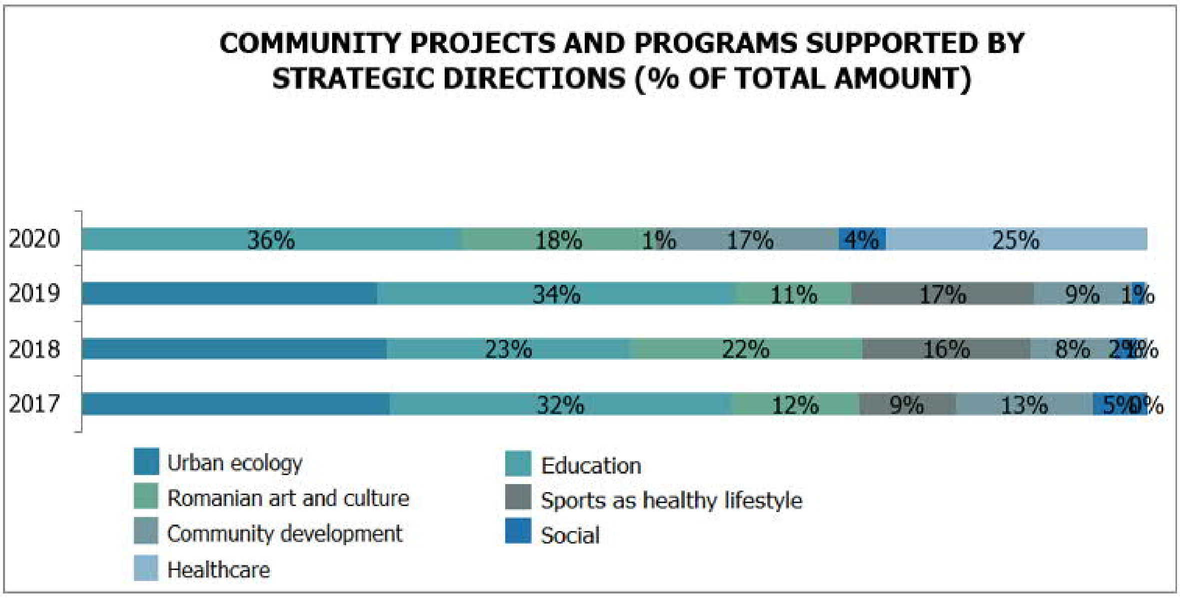
• Donations of protection materials worth over 100,000 lei for 15 senior centers in the country.

• Computer donations to children from vulnerable communities who could not attend online classes.

• In the case of some of our education projects, redirecting funds towards the purchase of tablets for students from disadvantaged backgrounds.

• Launching the option of donating right from the Raiffeisen Smart Mobile app, through which our customers were able to support three non-governmental organizations involved in the fight against COVID-19: the Association for Community Relations, the Regina Maria Foundation and the SMURD Foundation.





Together for the society

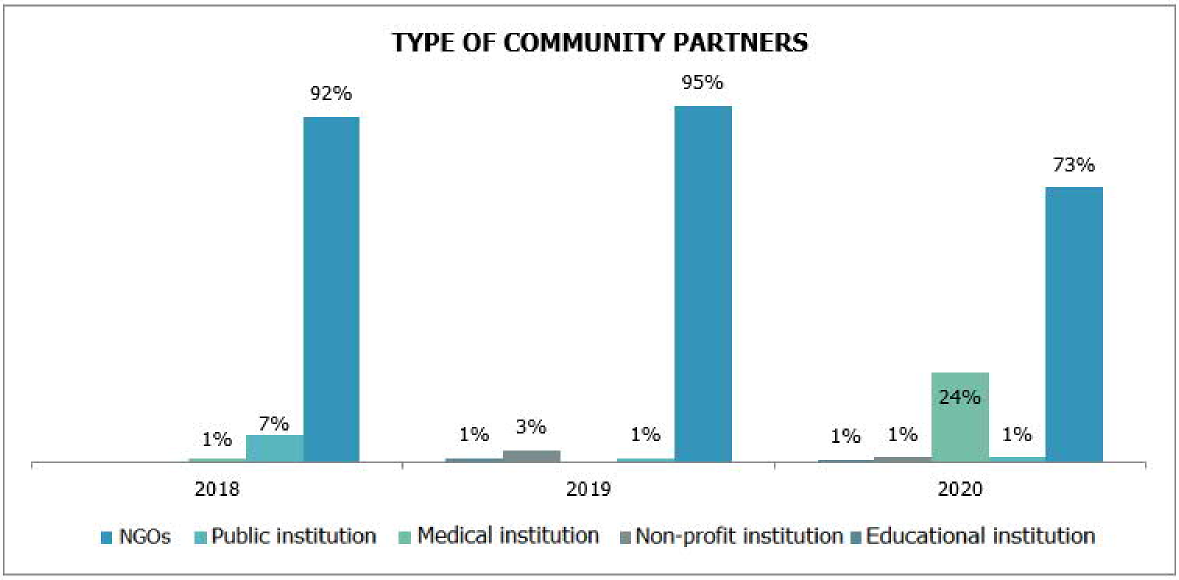
The year 2020 has shown us more than ever that we cannot have real change unless we all get involved. Therefore, we encourage our employees to volunteer or donate for the social causes we support, and we also offer our clients the option to make their own contribution. We have thus created the Direct Debit recurring donation system, through which our clients can quickly and easily become recurrent donors for the social projects in which they want to get involved.

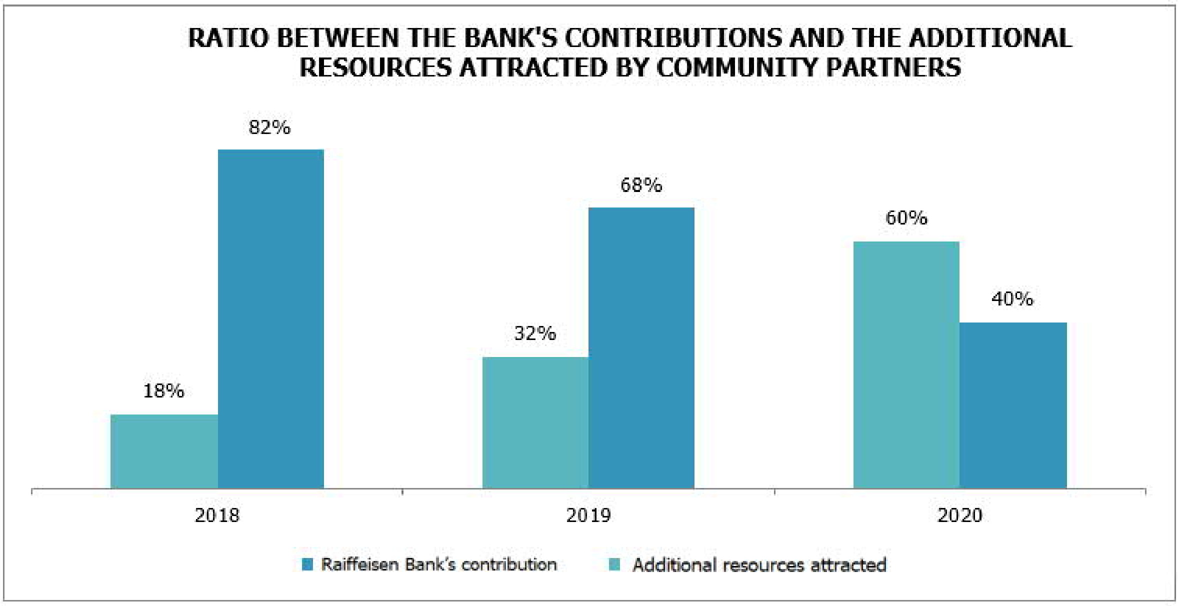
In the last year we had 8,466 active donors, compared to 7,526 in the previous year, who donated over 373,000 EUR. Alongside our clients, we also supported the clients of other banks in managing donations through this mechanism. Thus, in 2020 we supported 9,043 users of the mechanism, who donated over 420,700 EUR to community projects.

Community partners

As expected, in 2020 we supported medical institutions, even if healthcare is not one of Raiffeisen Bank's community investments directions. NGOs continue to be the main partners in implementing community programs, as they are closely aware of the needs of the local communities in which we implement projects and the approaches needed to meet them.

Type of community partners	NGOs	Educational institutions	Medical institutions	Non-profit institutions	Public institutions
2018	92%	0%	1%	0%	7%
2019	95%	1%	0%	3%	1%
2020	73%	1%	24%	1%	1%

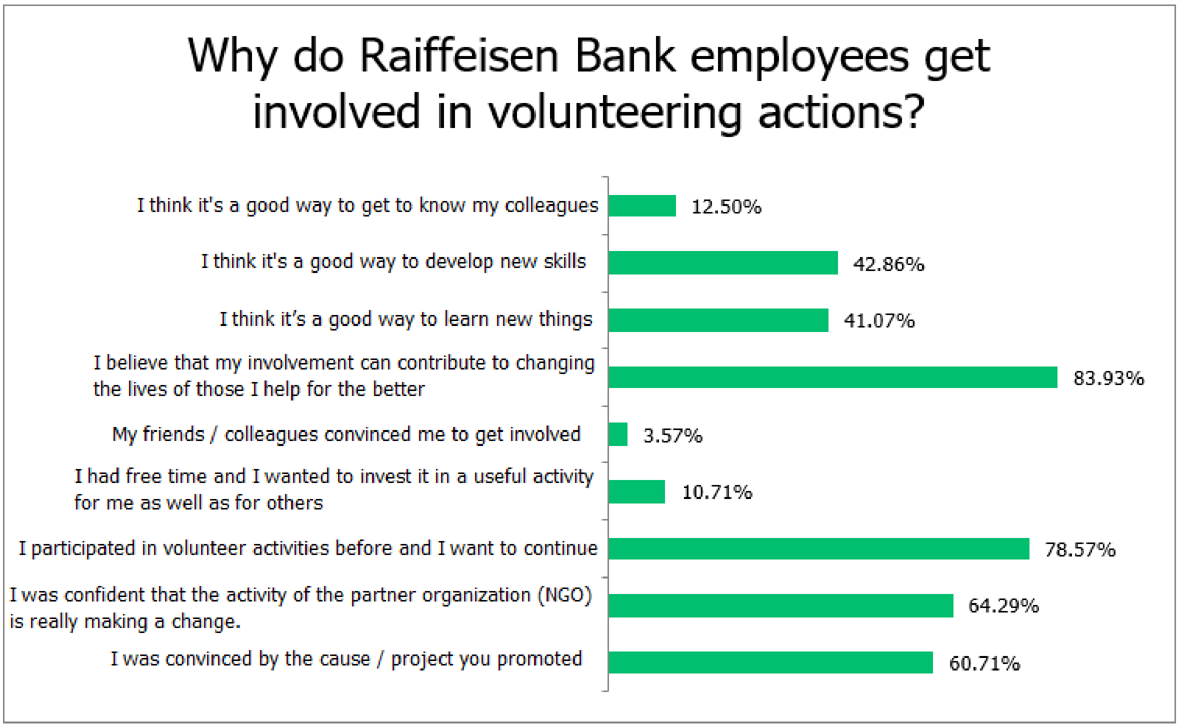


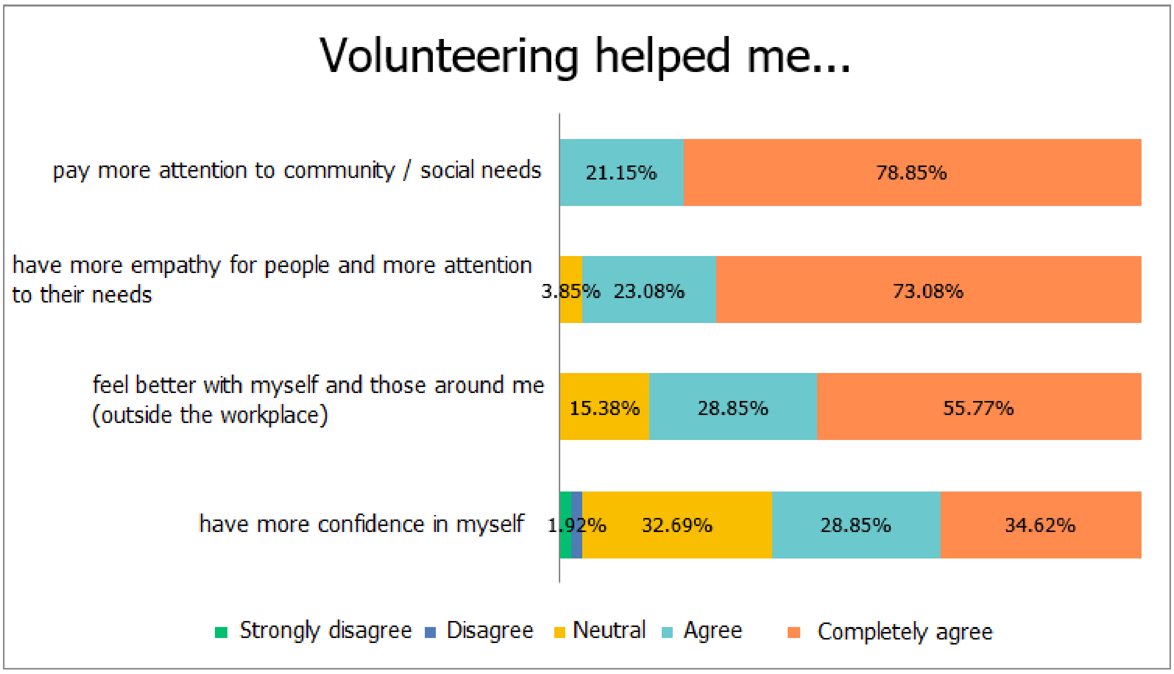


Volunteering at Raiffeisen Bank

At first glance, we could say that 2020 was a year that did not offer volunteer opportunities given that restrictions were imposed in all communities. However, people have understood how acute social needs are and how important simple gestures of generosity are to some people. Volunteering plays a crucial role, and Raiffeisen Bank employees have proven that we can adapt and that nothing can stop us when we want to be close to each other.

In 2020, 518 colleagues volunteered during working hours, especially in projects dedicated to education, but not only. Volunteer opportunities have also moved online, but the motivation has remained just as strong. The main reason why Raiffeisen Bank employees have chosen to get involved is the belief that volunteering can help improve the lives of beneficiaries. In addition, volunteers see these activities as a vector of connection to the needs of the community and the needs of those around them, and in this context, trust in the organization for which they volunteer occupies an important place.





The people we help through our community projects

Our partners have supported more than 373,000 people in their projects, generating profound changes in their lives – behavioral changes, improvements in knowledge and quality of life, whether we are talking about students in vulnerable communities who needed computers or help for online school or students who have continued to take online financial education courses or even about cultural events that have moved to the virtual stage.

”Via Transilvanica helped small companies that benefited from the tourism brought to Via Transilvanica, small entrepreneurs or family businesses. By offering accommodation/meals or other local products and selling them, the quality of life in local communities has increased and will continue to increase due to the large number of tourists on the route.”

Tășuleasa Social Association

”By far the most significant change in the behavior of direct beneficiaries is the commitment to register as independent observers in the presidential, local and parliamentary elections, as a result of the deep understanding of the role they play in strengthening democracy and society.”

Francophone Students Association from Iași, winner of Raiffeisen Communities grant in 2019

"Children who last year failed to write their name correctly are now reading, they know how find information in a text, they know how to write correctly."

Teach for Romania Association

Environmental protection

At Raiffeisen Bank, we see environmental protection as an important part of the responsibility we have towards local communities and the society. Although our direct environmental impact is limited due to the nature of our operations, as a Bank that offers financing products, we have a significant role in reducing the environmental impact of the Bank’s portfolio, through sustainable financing policies that come to support efforts to transition towards an economy based on the principles of sustainable development.

The main environmental risks of our day-today activity are related to the negative impact the climate crisis has on the entire economical domain: dependency of natural resources, inefficient or rather poorly adjusted measures to the speed of changes in environmental factors, as well as a reduced capacity of businesses to adapt to the current context and implement actions plans aimed at reducing and tackling climate change. Moreover, an important risk at local level is represented by frequent legislative changes in this area.

In order to provide efficient measures to help tackle these risks, we carefully monitor the evolution of main relevant environmental indicators for our activity and we transparently report the progress for each of them both at Raiffeisen Bank International Group Level, as well as locally, in Raiffeisen Bank Romania sustainability report, a document that is public on the company website.

Not limiting to respecting the national legislation concerning the environment, as part of Raiffeisen Bank International, we have adopted and strictly follow an environmental policy and internal regulations at Group level. This is based on our commitments towards energy efficiency, renewable energy, sustainable transport and mobility and responsible procurement practices.

We focus on minimizing the impact our operations have on the environment and implement measures in this sense, as to reach the environmental objectives set by RBI at Group level:

- Reducing greenhouse gas emissions resulting from energy consumption by 35%
- Getting 35% from the total energy consumption from renewable sources, at Central and Eastern Europe level
- Reducing paper waste by 25%
- Reducing water consumption by 25%
- Decreasing emissions resulting from employee transportation and travel by 25%
- Decreasing our employees' plane journeys by 20%
- Regularly campaigning amongst employees for behaviors aimed at reducing impact on the environment
- Publishing sustainability and environmental guides/ surveys for the company's suppliers
- Constantly communicating the environmental protection goals we have undertaken and the progress made

Type of resource	2018	2019	2020
Paper (kg)*	300,488	311,975	217,400
Printer cartridges and toners (units)	6,568	2,204	623
Printed materials (forms, out of total paper consumption)	-	257,721.00	160,919.54

*virgin paper

Waste

Recycled waste (kg)	2018	2019	2020
Packaging materials (paper)	86,194	64,338	37,275
Glass	8	14,168	0
Lighting fixtures	2,072	220	0
Batteries	0	4,334	4,662
Plastic	14,605	3,258	1,852

WEEE	96,488	75,957	78,675
Domestic waste	593,642	2,721,200	2,361,453

Out of the total amount of waste, 83,337 kg of hazardous waste (lighting fixtures, batteries, WEEE) and 39,127 kg of non-hazardous waste were recycled.

Energy

Total energy consumption	2018	2019	2020
Cooling electricity and energy (KWh)	21,530,000	18,430,000	14,330,000
Heating energy (gas) (KWh)	12,520,000	13,314,270	10,835,770

Fuel consumption (liters)	2018	2019	2020
Diesel	503,202	484,440	323,761
Petrol	36,432	28,369	24,881
Diesel for generators	3,493	5,350	7,726

Fuel consumption from renewable sources	2018	2019	2020
Biodiesel	32,708.13	31,489.00	21,044.44
Bioethanol	-	2,270.00	1,990.51

Water consumption

Water consumption	2018	2019	2020
Water used (m^3)	50,300	57,015	48,207

Transport

Transportation for employees	2018	2019	2020
Distance traveled by employees using their personal vehicles for business purposes (km)	966,016	1,022,950	426,300

Distance traveled by employees by taxi for business purposes (km)	832,443	1,193,554	685,193
Distance traveled with company cars (km)	7,239,047	7,325,747	4,980,600
Distance traveled by plane for business purposes (km)	-	3,131,462	368,273
Number of cars in company fleet	524	525	540
Diesel	470	502	527
Electric/Hybrid	3	3	3
Petrol	51	20	10

Emissions

Scope	Scope includes	Total (tons CO_2eq)	
		2019*	2020**
Scope 2	Electricity consumption of Raiffeisen Bank Romania	4,570.27	3,553.55

*In the 2019 non-financial statement, total emissions were calculated using an emission factor inaccurately taken from the energy supplier.

**In the process of calculating the total emissions generated in 2020, the emission factor for 2019 was used (247.98 g CO_2/KWh of energy produced - according to the statement of the electricity supplier), the one corresponding to the year 2020 not being available at the time of publication of the statement. The electricity supplier annually submits the electricity label related to the previous year by July 31st of the current year, according to ANRE Order no. 61/2016 - Electricity Labeling Regulation.

Currently, at local level, the Bank has not implemented a formal system for inventorying greenhouse gas emissions. However, we annually report to Raiffeisen Bank International the data on energy consumption, fuel and employee transportation, which are considered in the calculation of emissions generated at Group level.

Measures to reduce our environmental impact:

- During agencies being relocated, the classic neon tubes from 7 illuminated signs and 294 lighting fixtures were replaced with LED tubes, as well as 91 lighting fixtures.

Raiffeisen Bank S.A.'s non-financial performance indicators will be presented in detail in the Raiffeisen Bank Romania 2020 Sustainability Report. The Bank's 12th Sustainability Report is to be published in April this year.

RAIFFEISEN BANK SA

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

31 DECEMBER 2020

Content

In accordance with article 10, paragraph 1 from republished accounting Law No. 82/1991, the responsibility for the accounting organization and management belongs to the administrator, to the person authorized for credit release or to other person in charge with administration of the entity.

Officially in charge as vice-president and chief financial officer of Raiffeisen Bank S.A. - parent company, in accordance with article 31 from republished accounting Law No. 82/1991, I assume the responsibility for preparing the consolidated and separate financial statements as of 31 December 2020 and I confirm that:

a) accounting policies used for preparing the consolidated and separate financial statements as of 31 December 2020 are in accordance with Order of the National Bank of Romania No. 27/2010 and related amendments, which require that these consolidated and separate financial statements to be prepared in accordance with International Financial Reporting Standards as endorsed by the European Union;

b) consolidated and separate financial statements prepared as of 31 December 2020 fairly reflect the financial position, statement of comprehensive income, statement of changes in equity, statement of cash flow and the related notes for the activity developed in accordance with Order of the National Bank of Romania No. 27/2010 and related amendments, which require that these consolidated and separate financial statements to be prepared in accordance with International Financial Reporting Standards as endorsed by the European Union.

Mihail Ion

Vice-president & Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Raiffeisen Bank S.A.

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Raiffeisen Bank S.A. (the Bank) with official head office in 246C Calea Floreasca Bd, Bucharest, Romania, identified by sole fiscal registration number RO 361820, which comprise the consolidated and separate statement of financial position as at December 31, 2020, the consolidated and separate income statement, the consolidated and separate statement of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank as at December 31, 2020, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with the National Bank of Romania Order no 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Key audit matter

Impairment of loans and advances to customers

The net carrying values of loans and advances to customers of 28,220,851 thousand RON at the level of the bank and of 28,773,060 thousands RON at the level of the Group represents a significant part (55.03%) of the total assets of the bank as at 31 December 2020, and (55.28%) respectively, of the total assets of the Group as at 31 December 2020.

Management's assessment of impairment indications and determination of Expected Credit Loss (ECL) for loans and advances to customers is a complex process and involves significant judgement. Such an assessment is inherently uncertain, involving forecasting of future macroeconomic conditions in a number of scenarios, assessing the likelihood of such scenarios, their impact on ECL as well as an assessment of Risk of Default, Loss Given Default and Exposure at Default by employing models based on a series of historical data and quantitative techniques.

The uncertainties in the environment in the context of COVID-19 crisis, including moratoria and governmental support measures, led to an increased complexity of the expected loss estimation in the form of post model adjustment/ overlays and judgment regarding staging criteria.

The potential effect of the above items is that it has a high degree of estimation uncertainty, with a potential range of reasonable outcomes, significantly different than estimated impairment allowance.
Notes 3j, 5, 6 and 21 to the consolidated and separate financial statements present more information on the estimation of impairment allowance for loans and advances to customers.

Due to the significance of loans and advances to customers, the uncertainties involved and related complexity of estimation techniques we consider the Impairment of loans and advances to customers a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included, among others, the assessment of the Bank's methodology regarding the identification of impairment and determination of expected credit losses, including the determination of macroeconomic scenarios and their weight, staging criteria and the credit risk parameters models like Probability of Default, Loss Given Default and Exposure at Default.

We assessed the design and evaluated the operating effectiveness of internal controls over the monitoring of the quality of loans and advances to customers, parameters' models, , macroeconomic scenarios and related weights, post model adjustments/ overlays, loss allowance calculations as well as controls over quality of underlying data and relevant systems.

We also assessed the macroeconomic scenarios and related weights and examined the approach used in determination of the Covid 19 post-model adjustments/ overlay .

For the loss allowance of impaired loans assessed on an individual basis (stage 3), our evaluation was focused on the loans with the most significant potential impact on the consolidated and separate financial statements and considered the key assumptions underlying the impairment identification and quantification such as estimated future cash flows, including the realizable value of collaterals and estimates of recovery on default. We compared with the available market information based on our own experience on the matter.

For expected credit losses for loans assessed collectively either in stage 1, 2 or stage 3 we tested the key risk parameters' models by involving our credit risk specialists to reperform the modeling for a sample of models, re-performed staging and re-calculated expected credit losses.

We further assessed the adequacy of the Bank's disclosures in the consolidated and separate financial statements regarding exposure to credit risk.

Key audit matter

Provisions for litigations and potential risks

The carrying amount of provisions for litigations and potential risks is in amounts of 201,711 thousand RON at Group level and 144,703 thousand RON at Bank level.

The process for determining the provisions is an estimation process involving a high level of judgement, therefore there is an inherent risk that the existing provisions at year-end may significantly differ from the actual outflow of economic resources in subsequent years. The main aspects for which the management exercised judgment are the disputes and litigations related to consumer protection, other disagreements with clients, Court of Accounts control in Bank's subsidiary and tax authorities audit; Notes 36, 41 (ii) and 28 (i) to the consolidated and separate financial statements present more information on their estimations. Given the inherent uncertainties with respect to the final outcome of pending and potential disputes and litigations the management applies judgement in predicting the final outcome and uses estimates in relation to determination of the provisions.

Provisions for litigation and other risks are significant to our audit because the assessment process is complex and judgmental, and the amounts involved are significant.

How our audit addressed the key audit matter

Our audit procedures were focused on the judgments and estimates which could give rise to material misstatement or are potentially subject to management bias:

- We performed a detailed understanding of the Bank's process of identifying and determining the litigation and other risks provisions and the related documentation flow and assessed the design of the related controls;
- We examined Board of Directors and Supervisory Board meetings minutes to obtain an understanding of all significant legal and other risks matters;
- We conducted discussions with management and Bank's legal department to understand the status of each significant litigation and dispute and Bank's assessment regarding the potential loss;
- We assessed the principles and assumptions used by the Bank to estimate the amount of provisions;
- We examined the fact pattern for the current disputes and litigations have assessed the adequacy of the provisions based on the Bank's assumptions;
- Our tax and legal experts were involved, where applicable, in the analysis and corroboration the assumptions used in determining the provisions and contingent liabilities by considering the relevant legal requirements;
- We obtained written confirmations from the external legal counsels and compared their opinions with management's assumptions and assessment regarding the impact in the financial statements.
- We also evaluated the adequacy of the Bank's disclosures in the consolidated and separate financial statements regarding provisions for risks and litigations.

Key audit matter

Information Technology (IT) systems relevant for financial reporting

A significant part of the Bank's operations and financial reporting process is reliant on IT systems involving automated processes and controls over the capture, storage and processing of information. An important component of this internal control system involves the existence of and adherence to appropriate user access and change management processes and controls. These controls are particularly important because they ensure that the access and changes to IT systems and data are made by authorized persons in an appropriate manner.

The IT environment of the Bank is complex with a significant number of interconnected systems and databases. Besides, the new way of working adopted in all areas of the Bank brings changes and further complexity.

Given the level of automation of the processes relevant for financial reporting and given the complexity of the IT environment of the Bank, a high proportion of the overall audit procedures was concentrated in this area. We therefore consider that this area represents a key audit matter.

How our audit addressed the key audit matter

We focused our audit procedures on those IT systems and controls that are significant for the financial reporting process. As the audit procedures over the IT systems require specific expertise, we involved our IT specialists to assist us in performing the audit procedures.

Our audit included, among others, the following procedures:

- Understanding and assessing the overall IT control environment and the controls in place, including the ones over access to systems and data, and considering the context of work from home, as well as IT system changes. We tailored our audit approach based on the importance of the system for the financial reporting;
- We tested the operating effectiveness of controls over granting access rights to determine if only appropriate users had the ability to create, modify or delete user accounts for the relevant applications;
- We tested the operating effectiveness of controls around the development and changes of applications to determine whether these are appropriately authorized, tested and implemented;
- We assessed and tested the design and operating effectiveness of the application and IT-dependent controls in the processes relevant to our audit.

Other information

The other information comprises the Directors' Report (which includes the Non Financial declaration) and the Annual Report, but does not include the consolidated and separate financial statements and our auditors' report thereon. We obtained the Directors' Report prior to the date of our auditor's report, and we expect to obtain the Annual Report after the date of our auditor's report. Management is responsible for the other information.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the National Bank of Romania Order no 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Directors' Report, we have read the Directors' Report and report that:

a) in the Directors' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated and separate financial statements as at December 31, 2020;
b) the Directors' Report identified above includes, in all material respects, the required information according to the provisions of the National Bank of Romania Order no 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications, Annex 1 points 11-14 and 37-38 respectively;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated and separate financial statements as at December 31, 2020, we have not identified information included in the Directors' Report that contains a material misstatement of fact.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Bank by the General Meeting of Shareholders on May 2nd 2018 to audit the consolidated and separate financial statements for 3 years covering the financial periods end December 31st, 2018 till December 31st 2020. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 9 years, covering the financial periods end December 31st, 2012 till December 31st, 2020.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the consolidated and separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Bank, which we issued on the same date.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Bank and we remain independent from the Bank in conducting the audit.
In addition to statutory audit services and services disclosed in the consolidated and separate financial statements, no other services were provided by us to the Bank, and its controlled undertakings.

On behalf of,

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania
Registered in the electronic Public Register under No. FA77

Ernst & Young Assurance Services S.R.L
22. MAR. 2021
Signed for identification
Semnat pentru identificare

Name of the Auditor/ Partner: Alina Dimitriu
Registered in the electronic Public Register under No. AF1272

Bucharest, Romania
22 March 2021

Raiffeisen BANK

In RON thousand	Note	Group 2020	Group 2019	Bank 2020	Bank 2019
Interest income		1,924,959	1,920,841	1,873,937	1,870,946
Interest expense		(175,312)	(161,537)	(166,791)	(151,804)
Net interest income	8	1,749,647	1,759,304	1,707,146	1,719,142
Fees and commissions income		804,345	835,416	761,600	783,371
Fees and commissions expense		(277,015)	(251,674)	(276,873)	(249,609)
Net fee and commission income	9	527,330	583,742	484,727	533,762
Net trading income	10	333,442	332,812	333,755	332,727
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	26	17,484	40,300	16,983	39,619
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income		8,169	4,054	8,168	4,053
Gains or (-) losses from hedge accounting, net	27	801	34	801	34
Other operating income	11	25,042	25,693	62,834	29,709
Operating income		2,661,915	2,745,939	2,614,414	2,659,046
Operating expenses	12	(909,064)	(948,222)	(882,887)	(930,404)
Personnel expenses	13	(666,276)	(608,021)	(636,542)	(581,770)
Net provisioning for impairment losses on financial assets	14	(315,531)	(176,429)	(321,365)	(187,040)
Negative goodwill	25	-	7,204	-	-
Share of gain from associates and joint ventures	25	(261)	1,909	-	-
Profit before income tax		770,783	1,022,380	773,620	959,832
Income tax expense	15,16	(134,174)	(187,670)	(129,480)	(180,377)
Net profit for the year		636,609	834,710	644,140	779,455
Items that may be reclassified subsequently to profit or loss					
Net gains (losses) on financial assets at fair value through other comprehensive income		54,992	7,321	54,545	7,132
Related tax for above positions		(8,727)	(1,171)	(8,727)	(1,141)
Items that may not be reclassified subsequently to profit or loss					
Fair value changes of the equity instruments at fair value through other comprehensive income		(34)	13,123	(34)	13,123
Related tax for above positions		5	(2,100)	5	(2,100)
Total comprehensive income for the year, net of income tax		682,845	851,883	689,929	796,469

The consolidated and separate statement of comprehensive income are to be read in conjunction with the notes to and forming part of the consolidated and separate financial statements set out on following pages.

The consolidated and separate financial statements were approved by the Management Board on 22 March 2021 and were signed on its behalf by:

Mihail Ion	Roxana – Maria Apostol
Vice-president & Chief Financial Officer	Accounting Director

Ernst & Young Assurance Services S.R.L.
22 MAR. 2021
Signed for identification
Semnat pentru identificare

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the consolidated and separate financial statements is provided as a free translation from Romanian which is the official and binding version.

In RON thousand	Note	Group 31 December 2020	Group 31 December 2019	Bank 31 December 2020	Bank 31 December 2019
Assets					
Cash and cash with Central Bank	17	10,854,199	6,506,880	10,853,779	6,506,056
Loans and advances to banks at amortised cost	20	972,059	207,307	971,166	201,002
Derivative assets held for risk management	19	729	8,843	729	8,843
Trading assets	18	354,271	402,931	354,271	402,931
Financial assets mandatorily at fair value through profit or loss	26	393,847	363,525	379,146	343,625
Investment securities at fair value through other comprehensive income	22	3,212,528	2,398,161	3,150,884	2,326,371
Equity instruments at fair value through other comprehensive income	23	44,989	61,902	44,989	61,902
Investment in subsidiaries, associates and joint ventures	25	29,419	17,780	107,166	97,953
Loans and advances to customers at amortised cost	21	28,773,060	27,593,634	28,220,851	26,961,414
Fair value changes of the hedged items-hedge accounting	27	10,449	3,204	10,449	3,204
Investment securities at amortised cost	24	6,095,709	4,952,776	5,912,605	4,674,232
Current tax receivable		146,211	144,731	145,445	144,366
Other assets	28	269,179	351,297	245,887	312,105
Deferred tax assets	29	26,621	21,175	21,482	18,334
Property, equipment and right-of-use assets	30	565,779	588,570	563,599	586,246
Intangible assets	31	304,156	233,512	300,464	230,140
Total assets		52,053,205	43,856,228	51,282,912	42,878,724
Liabilities					
Trading liabilities	18	23,393	15,091	23,393	15,091
Derivative liabilities held for risk management	19	15,971	25,304	15,971	25,304
Deposits from banks	32	338,463	308,670	338,463	308,670
Deposits from customers	33	43,553,033	36,108,826	43,394,928	35,802,310
Loans from banks and other financial institutions	34	432,178	512,962	17,657	42,269
Derivatives – hedge accounting	27	21,488	3,497	21,488	3,497
Current tax liabilities		992	7,413	-	5,207
Other liabilities	35	912,811	914,721	901,491	903,597
Debt securities issued	34	480,092	480,617	480,092	480,617
Subordinated liabilities	34	416,326	408,645	416,326	408,645
Provisions	36	354,829	239,777	296,352	188,524
Deferred tax liabilities		85	-	-	-
Total liabilities		46,549,661	39,025,523	45,906,161	38,183,731
Equity					
Share capital	37	1,200,000	1,200,000	1,200,000	1,200,000
Other equity instruments	38	238,599	238,599	238,599	238,599
Retained earnings		3,768,499	3,112,004	3,642,567	2,976,706
Other reserves	39	296,446	280,102	295,585	279,688
Total equity		5,503,544	4,830,705	5,376,751	4,694,993
Total liabilities and equity		52,053,205	43,856,228	51,282,912	42,878,724

The consolidated and separate statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated and separate financial statements set out on following pages.
The consolidated and separate financial statements were approved by the Management Board on 22 March 2021 and were signed on its behalf by:

Mihail Ion
Vice-president & Chief Financial Officer

Roxana – Maria Apostol
Accounting Director

Ernst & Young Assurance Services S.R.L.
22 MAR. 2021
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TRANSLATOR'S EXPLANATORY NOTE: The above translation of the consolidated and separate financial statements is provided as a free translation from Romanian which is the official and binding version.

Group

In RON thousand	Share capital	Other equity instruments	Other reserves	Retained earnings	Total
Balance at 1 January 2019	**1,200,000**	**-**	**262,929**	**2,721,294**	**4,184,223**
Issue Additional Tier 1 instrument (*Note 43*)	-	238,599	-	-	238,599
Net profit for the year	-	-	-	834,710	834,710
Other comprehensive income, net of income tax	-	-	17,173	-	17,173
Total comprehensive income for the period, net of income tax	**-**	**-**	**17,173**	**834,710**	**851,883**
Distribution of dividends	-	-	-	(444,000)	(444,000)
Balance at 31 December 2019	**1,200,000**	**238,599**	**280,102**	**3,112,004**	**4,830,705**
Balance at 1 January 2020	**1,200,000**	**238,599**	**280,102**	**3,112,004**	**4,830,705**
Net profit for the year	-	-		636,609	636,609
Other comprehensive income, net of income tax	-	-	46,236	-	46,236
Total comprehensive income for the period, net of income tax	**-**	**-**	**46,236**	**636,609**	**682,845**
Distribution related to AT1 instruments	-	-	-	(8,171)	(8,171)
Other changes	-	-	(29,892)	28,057	(1,835)
Balance at 31 December 2020	**1,200,000**	**238,599**	**296,446**	**3,768,499**	**5,503,544**

Bank

In RON thousand	Share capital	Other equity instruments	Other reserves	Retained earnings	Total
Balance at 1 January 2019	**1,200,000**	**-**	**262,674**	**2,641,251**	**4,103,925**
Issue Additional Tier 1 instrument (*Note 43*)		238,599	-	-	238,599
Net profit for the year	-	-	-	779,455	779,455
Other comprehensive income, net of income tax	-	-	17,014	-	17,014
Total comprehensive income for the period, net of income tax	**-**	**-**	**17,014**	**779,455**	**796,469**
Distribution of dividends	-	-	-	(444,000)	(444,000)
Balance at 31 December 2019	**1,200,000**	**238,599**	**279,688**	**2,976,706**	**4,694,993**
Balance at 1 January 2020	**1,200,000**	**238,599**	**279,688**	**2,976,706**	**4,694,993**
Net profit for the year	-	-	-	644,140	644,140
Other comprehensive income, net of income tax	-	-	45,789	-	45,789
Total comprehensive income for the period, net of income tax	**-**	**-**	**45,789**	**644,140**	**689,929**
Distribution related to AT1 instruments	-	-	-	(8,171)	(8,171)
Other changes	-	-	(29,892)	29,892	-
Balance at 31 December 2020	**1,200,000**	**238,599**	**295,585**	**3,642,567**	**5,376,751**

The consolidated and separate statement of changes in shareholders' equity is to be read in conjunction with the notes to and forming part of the consolidated and separate financial statements set out on following pages.

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the consolidated and separate financial statements is provided as a free translation from Romanian which is the official and binding version.

In RON thousand	Note	Group 2020	Group 2019	Bank 2020	Bank 2019
Cash flows from operating activities					
Net profit for the year		636,609	834,710	644,140	779,455
Adjustments for non-cash items:					
Depreciation and amortization	12	231,836	230,119	228,834	228,379
Net impairment loss on financial assets (release from recoveries is not included)	14	351,046	267,836	356,442	278,625
Negative goodwill	25	-	(7,204)	-	-
Group share of gain from associates and joint ventures	25	261	(1,909)	-	-
Loss on the sale of property, plant and equipment and of intangible assets		15,354	31,397	15,395	27,040
Net charge of provisions for litigation and other provisions	11,12	113,477	96,379	111,598	94,596
Income tax expense	15,16	134,174	187,670	129,480	180,377
Net gains on non-trading financial assets mandatorily at fair value through profit or loss	26	(17,484)	(40,300)	(16,983)	(39,619)
Other fair value adjustments		(1,219)	17,603	(1,219)	17,603
Net interest income	8	(1,749,647)	(1,759,304)	(1,707,146)	(1,719,142)
Unrealized foreign exchange losses		18,405	5,178	18,405	5,178
Income from dividends	11	(1,696)	(1,665)	(41,447)	(7,460)
Operating profit before changes in operating assets and liabilities		**(268,884)**	**(139,490)**	**(262,501)**	**(154,968)**
Change in operating assets:					
(Increase)/Decrease in trading assets and derivatives held for risk management		48,660	(103,886)	48,660	(104,005)
(Increase)/Decrease in loans and advances to banks at amortised cost		(188,007)	437	(200,052)	(3,314)
(Increase) in loans and advances to customers at amortised cost		(1,557,023)	(1,434,043)	(1,630,004)	(1,693,189)
(Increase)/Decrease in investment securities at fair value through other comprehensive income		(745,918)	869,654	(756,511)	885,038
(Increase) in investment securities at amortised cost		(1,123,368)	(2,320,982)	(1,218,808)	(2,301,547)
(Increase)/Decrease in other assets		80,548	(206,938)	65,557	(195,015)
Proceeds from sale of loans	14	44,485	91,407	44,046	91,586
Change in operating liabilities					
Increase/(Decrease) in trading liabilities		8,302	(3,231)	8,302	(3,231)
Increase/(Decrease) in deposits from banks		29,793	(227,400)	29,793	(227,400)
Increase in deposits from customers		7,435,734	2,681,001	7,584,145	2,703,978
Increase/(Decrease) in other liabilities		4,065	(32,263)	396	(34,426)
Taxation paid		(167,788)	(261,637)	(159,303)	(255,098)
Interest paid		(167,704)	(159,803)	(159,183)	(150,070)
Interest received		1,896,724	1,696,290	1,845,702	1,646,395
Cash flows from operating activities		**5,329,619**	**449,116**	**5,240,239**	**204,734**
Investing activities					
Proceeds from sale of property, plant and equipment		1,570	375	661	375
Acquisition of property, plant and equipment	30	(74,985)	(149,447)	(73,491)	(144,122)
Acquisition of intangible assets	31	(143,142)	(140,895)	(141,499)	(139,238)
Acquisition of investment in subsidiaries	25	-	(9,471)	(15,000)	-
Acquisitions / payments related investment in associates	23	(11,900)	-	(11,900)	(9,471)
Proceeds from sale of equity investments		-	9	-	9
Dividends received		1,696	1,665	41,447	7,460
Cash flows used in investing activities		**(226,761)**	**(297,764)**	**(199,782)**	**(284,987)**

In RON thousand	Note	Group 2020	Group 2019	Bank 2020	Bank 2019
Financing activities					
Cash from loans from banks and subordinated liabilities		131,474	191,172	-	191,172
Proceeds from debt securities issued		-	480,617	-	480,617
Repayment of debt securities		-	(512,458)	-	(516,179)
Repayments of loans from banks and subordonated liabilities		(211,896)	(937,310)	(24,250)	(706,379)
Proceeds from issue of additional Tier I instrument	43	-	238,599	-	238,599
Dividends paid	37	-	(444,000)	-	(444,000)
Distribution related to AT1 instruments		(8,171)	-	(8,171)	-
Repayment of principal portion of lease liability	36	(90,201)	(92,181)	(90,201)	(92,181)
Cash flow from financing activities		**(178,794)**	**(1,075,561)**	**(122,622)**	**(848,351)**
Net increase/(decrease) in cash and cash equivalents		4,924,064	(924,209)	4,917,835	(928,604)
Cash and cash equivalents at 1 January		**6,709,686**	**7,633,895**	**6,702,555**	**7,631,159**
Cash and cash equivalents at 31 December		**11,633,750**	**6,709,686**	**11,620,390**	**6,702,555**

Analysis of cash and cash equivalents

In RON thousand	Note	Group 2020	Group 2019	Bank 2020	Bank 2019
Cash and cash equivalents comprise:					
Cash on hand	17	3,557,204	2,701,387	3,556,784	2,700,563
Cash with Central Bank	17	7,296,995	3,805,493	7,296,995	3,805,493
		10,854,199	**6,506,880**	**10,853,779**	**6,506,056**
Loans and advances to banks – less than 3 months		779,551	202,806	766,611	196,499
Cash and cash equivalents in the cash flow statement		**11,633,750**	**6,709,686**	**11,620,390**	**6,702,555**

The consolidated and separate statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated and separate financial statements set out on following pages.

1. REPORTING ENTITY

Raiffeisen Bank SA (the "Bank") started its operations on 1 July 2002 upon the merger by acquisition of Raiffeisen Bank Romania SA by Banca Agricola Raiffeisen SA through issue of shares. The merger between the two banks was finalized on 30 June 2002 with the purpose of streamlining the operations of the Raiffeisen Group in Romania.

The Bank is licensed by the National Bank of Romania to conduct banking activities. The current registered office is located at Sky Tower Building, Calea Floreasca, no 246 C, district 1, Bucharest, Romania.

The consolidated and separate financial statements of the Bank for the year ended 31 December 2020 comprise the Bank and its subsidiaries (together referred to as the "Group").

The Group is primarily involved in corporate and retail banking, investment and activities services, leasing and asset management services.

The main activity of the Bank is to provide day-to-day banking services to corporate and individual clients. These include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium term facilities, bank guarantees and letters of credit. The Group also provides financial leasing services, loan services in locative system and asset management services. The Group operates through the Head Office located in Bucharest and through its network of 333 branches as at 31.12.2020 (2019: 351 branches).

The Bank is managed in accordance with the dual management system by a Supervisory Board made up of 9 members and a Management Board made up of 7 members.

The members of the Supervisory Board as of December 31, 2020 are as follows:

- Johann Strobl – Chairman
- Hannes Mösenbacher – Deputy Chairman
- Andreas Gschwenter – Member
- Peter Lennkh – Member
- Anca Ileana Ioan – Independent Member
- Ana Maria Mihaescu – Independent Member
- Lukasz Janusz Januszewski – Member
- Andrii Stepanenko – Member
- Pedro Miguel Weiss – Independent Member

The structure of the Management Board as of December 31, 2020 is as follows:

- Steven van Groningen – President;
- Cristian Sporiş – Vice-president, coordinating the Corporate Division;
- James D. Stewart. Jr. – Vice-president, coordinating the Treasury and Capital Markets Division;
- Bogdan Popa – Vice-president, coordinating the Operations and IT Division;
- Vladimir Kalinov – Vice-president, coordinating the Retail Division;
- Mircea Busuioceanu – Vice-president, coordinating the Risk Division;
- Mihail Ion – Vice-president, coordinating the Accounting and Financial Controlling Division.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with Order no. 27/2010 of the National Bank of Romania and subsequent amendments, which require that these consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS"). The accounting records of the Bank are maintained in RON in accordance with the Romanian accounting law and the National Bank of Romania banking regulations.

Starting with 2012, the National Bank of Romania issued regulations through which the International Financial Reporting Standards as adopted by the European Union ("IFRS") become basis of accounting for banks. As such the statutory accounts of the Bank and of Raiffeisen Banca pentru Locuinte are in line, in all material respects, with these standards.

The non – banking subsidiaries, associates and joint ventures prepare financial statements in accordance with the Romanian accounting law and the National Bank of Romania banking regulations ("statutory accounts").

These accounts have been restated to reflect the existing differences between the statutory accounts and IFRS. Accordingly, such adjustments have been made to the statutory accounts as have been considered necessary to bring the financial statements into line, in all material respects, with IFRS.

b) Basis of measurement

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2020:

- **Conceptual Framework in IFRS standards**
  The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**
  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. Management has assessed that there is no impact from this amendment as of 1 January 2021.

2. BASIS OF PREPARATION (continued)

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management has assessed that there is no impact from this amendment as of 1 January 2021.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**
  In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). As of 1 January 2021, the uncertainty generated by the replacement of the existing interest rate benchmark did not affect the hedge accounting relationships. This is due to the fact that the financial instruments designated for hedge accounting are linked to ROBOR and EURIBOR index. On one hand EURIBOR will continue to be public even after January 1, 2022, while ROBOR index does not fall within the interest rate benchmark reform.

c) Functional and presentation currency

The elements included in the financial statements of each Group entity are evaluated by using the currency of the primary economic envnanciare ironment in which the entity operates ("functional currency"). These consolidated and separate financial statements are presented in Romanian Lei ("RON"), which is the functional and presentation currency of the Bank, rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of consolidated and separate financial statements in accordance with IFRS as endorsed by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of 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. The management judgments in applying accounting policies which have a significant impact on the consolidated and separate financial statements as well as highly uncertain estimates are disclosed in Note 6.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements and have been applied consistently by the Group entities.

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when an entity has the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Bank holds:

- 99.99% (2019: 99.99%) interest in Raiffeisen Leasing IFN S.A.;
- 99.99% (2019: 99.99%) interest in Aedificium Banca Pentru Locuinte S.A.
- 99.99% (2019: 99.99%) investment in Raiffeisen Asset Management S.A., an asset management company with the purpose of administrating fund.

During 2020, ICS Raiffeisen Leasing S.R.L. from the Republic of Moldova, a company held 100% by Raiffeisen Leasing IFN S.A., has ceased its activity and has been liquidated.

During 2019, the Group acquired 66.66% of the share capital in Raiffeisen Banca pentru Locuinte S.A., an entity exclusively dedicated to saving and lending business. Before this acquisition, the Group owned 33.32% shares in this equity participation which was previously classified as joint venture. After the acquisition, the subsidiary's name changed into Aedificium Banca pentru Locuinte S.A.

The Bank has consolidated the financial statements of its subsidiaries in accordance with IFRS 10 "Consolidated Financial Statements".

(ii) Joint venture

The Group does not hold any joint ventures (2019: nil).

(iii) Associates

The Bank holds :

- 33.33% (2019: 33.33%) interest in Fondul de Garantare a Creditului Rural – IFN S.A.
- 33.33% (2019: 0%) interest in CIT One S.R.L.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

The Group accounts proportionately for the share of gain or loss from its associates in accordance to IFRS 11 "Investments in Associates". The consolidated financial statements include the Group's share of the total recognized gains and losses of associates and joint ventures on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases (see Note 25). When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. After application of the equity method, including recognizing the associate's losses, the investor determines whether it is necessary to recognize any additional impairment loss with respect to the investor's net investment in the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized gains arising from intra-Group transactions (except for the gains or losses from foreign exchange differences related to these transactions), have been eliminated from the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in that entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to RON at the official exchange rates from the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign exchange gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on settlement are recognized in profit or loss, except for differences arising from the equity instruments measured at fair value through other comprehensive income.

c) Interest income and expense

Interest income and expense are recognized in the consolidated and separate statement of comprehensive income using the effective interest rate method for financial instruments measured at amortised cost and financial assets measured at FVOCI.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset, as required by IAS 1. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income using the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. For the effective interest rate computation, the Group estimates the future cash flows by taking into account the contractual terms of each financial instrument, however it does not account for future credit losses. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate.

The effective interest rate method is a method of calculating the amortized cost of loans and advances to customers whereby up-front and management fees received between parties to the contract and origination costs should be integral part of the effective interest rate and should be amortized and recognized as interest income over the relevant period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income and expense on all trading assets and liabilities are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

d) Fees and commissions

Fees and commissions income arises on financial services provided by the Group including commitment fees, card fees, cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services.

Other fees and commissions income arising on the financial services provided by the Group including cash management services, brokerage services, investment advice, financial planning, investment banking services are recognized in the consolidated and separate statement of comprehensive income on the accrual basis i.e. when the corresponding service is provided. Other fees and commissions expense relates mainly to transaction and service fees, which are expensed as the services are received.

Other fees and commissions income and expenses corresponding to saving-lending products, which are not part of the effective interest rate of the financial instruments, are recognized when the related services are provided.

e) Net trading income

Net trading income comprises gains and losses from trading assets and liabilities and includes all realized and unrealized fair value changes, interests, dividends and foreign exchange differences.

f) Net gain/loss from other financial instruments at fair value

Net gain/loss from other financial instruments at fair value arises from derivatives held for risk management purposes and financial assets and liabilities designated at fair value through profit or loss and include all realized and unrealized fair value changes, interests, dividends and foreign exchange differences.

g) Dividends

Dividend income is recognized in the consolidated and separate statement of comprehensive income when the right to receive the income is established. Usually, this is the ex-dividend date for equity securities. Dividends are reflected as a component of other operating income based on the underlying classification of the equity instrument.

Tax on dividends is recognized at the same time as the payment of the related dividends and is due in the following month.

Dividends to be distributed by the Bank or Group are treated as an appropriation of profit in the period they are declared and approved by the General Shareholders Meeting.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Lease payments

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Short term leases are those which have, at the commencement date, a lease term of 12 months or less. Leases of low-value assets are those for which the underlying asset, when new, is of low value, the threshold chosen in this respect being EUR 5,000. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivables), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

i) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in profit or loss or equity except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is determined using the balance sheet method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the goodwill from transactions that are not a business combination and that affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates which are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments

(i) Classification

According to IFRS 9, classification of financial assets is based on the entity's business model (portfolio perspective) and the contractual cash flow characteristics of the individual financial asset.

The main classification categories for financial assets are:

a. amortized cost;
b. fair value through other comprehensive income (FVOCI) with gains or losses recycled to profit or loss on derecognition;
c. equity instruments at FVOCI, with no recycling of gains or losses on profit or loss on derecognition;
d. fair value through profit or loss (FVTPL).

a. Amortised cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (herein after referred to as the "SPPI test").

b. FVOCI

A financial asset that is a debt instrument is classified as subsequently measured at FVOCI if it is held within a business model whose objective is both collecting contractual cash flows and selling financial assets and meets the SPPI test.

c. FVTPL

All other financial assets – i.e. financial assets that do not meet the criteria for classification as subsequently measured at either amortised cost or FVOCI – are classified as subsequently measured at fair value, with changes in fair value recognised in profit or loss.

In addition the Bank has the option at initial recognition to irrevocably designate a financial asset that is a debt instrument as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency – i.e. an 'accounting mismatch' – that would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

Further requirements for a 'significant reduction of the accounting mismatch' or a minimum value of reduction are not prescribed by IFRS 9. For practical purpose, the Bank does not need to originate all of the assets and liabilities giving rise to the measurement or recognition mismatch at exactly the same time. A reasonable delay is permitted, provided that each asset or liability is designated as at FVTPL at its initial recognition and, at that time, any remaining transactions are expected to occur.

d. FVOCI Election for Equity Instruments

At initial recognition, an entity may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

An equity instrument is a contract that evidences a residual interest in an entity's asset after deducting all of its liabilities. The term "entity" includes individuals, partnerships, incorporated bodies, trusts and government agencies. According to IAS 32, an equity instrument has to meet the following conditions cumulatively):

- ✓ No contractual obligation to deliver cash or another financial asset to another entity or exchange financial assets or liabilities under unfavourable conditions with another entity and
- ✓ The instrument evidences a residual interest in the net assets of the issuer.

Equity instruments do not have contractual cash flows which are solely payments of interest and principal. Consequentially, equity instruments will never pass the SPPI test and are always classified as either FVTPL or FVOCI.

Equity instruments that are held for trading are required to be classified as at FVTPL. For all other equity investments (e.g.: strategic investments in clearing houses), management may irrevocably elect to present subsequent changes in the fair value of these equity investments in other comprehensive income (OCI). This election is made on an instrument-by instrument (i.e. share-by-share) basis.

Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Such circumstances will be limited because such investment will not be accounted for in accordance with IFRS 9 if the Bank has the ability to control or significantly influence the dividend policy of the investment.

Amounts presented in OCI shall not be recycled to profit or loss when an equity instrument is derecognised (e.g. due to a sale), nor are there any impairment requirements. However, the Bank may transfer the cumulative gain or loss within equity.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

All financial liabilities are classified as subsequently measured at amortised cost, except for the following items which are measured at FVTPL:

- Financial liabilities that are held for trading – including derivatives;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- Financial guarantees and below market rate interest loan commitments;
- Contingent consideration recognized by an acquirer in a business combination;
- Financial liabilities that are designated as at FVTPL on initial recognition.

Financial guarantee contracts and commitments to provide a loan at a below-market interest rate have specific guidance under IFRS 9. They have to be measured at the higher of:

a. the amount of provision for expected credit losses under the normal IFRS 9 impairment model and
b. the amount initially recognized, less the cumulative amount of income recognized in accordance with the principles of IFRS 15.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Business model assessment

The term ‘business model’ refers to the way an entity manages its financial assets in order to generate cash flows. That is, the entity’s business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both.

A business model assessment is needed for financial assets that meet the SPPI test, to determine whether they meet the criteria for classification as subsequently measured at amortised cost or FVOCI. Financial assets that do not meet the SPPI test are classified as at FVTPL irrespective of the business model in which they are held – except for investments in equity instruments, for which an entity may elect to present gains and losses in FVOCI.

The business model is determined at a level that reflects the way groups of financial assets are managed together to achieve a particular business objective. An entity’s business model does not depend on management’s intentions for an individual instrument. Accordingly, this condition is not an instrument- by-instrument approach to classification, but should be determined at a higher level of aggregation.

Three business models are allowed under IFRS 9:

a. Hold-to-collect

Financial assets in a hold-to-collect business model are managed to realise cash flows by collecting payments of principal and interest over the life of the instruments. An entity need not hold all of these assets until maturity. Therefore, a business model’s objective can be to hold financial assets to collect contractual cash flows even when some sales of financial assets have occurred or are expected to occur.

Sales that may be consistent with the hold-to-collect business model are performed in the following situations:

- The sales are due to an increase in the credit risk of a financial asset;
- The sales are infrequent (even if significant), or are insignificant individually and in aggregate (even if frequent);
- The sales take place close to the maturity of the financial asset and the proceeds from the sales approximate the collection of the remaining contractual cash flows.

The Group considers that the total sales per annum are insignificant if they do not exceed 10% of the prior three years average portfolio. The average considers closing balance figures; in case of new portfolios the Group applies the 10% threshold on periods less than 3 years.

The hold-to-collect portfolio is applicable to: *Loans and advances to customers, Loans and advances to banks and to a bond portfolio,* part of the liquidity buffer and whose main objective is to safeguard in stress times the continuity of the bank’s activity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Hold-to-collect and Sale

An entity may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the entity's key management personnel have made a decision that both of these activities are integral to achieving the objective of the business model.

Examples of such a business model, given by IFRS 9, include:

- a financial institution holding financial assets to meet its everyday liquidity needs;
- an entity investing excess cash in short/long term instruments to hold but to sell when it has the need for capital expenditure;
- maintaining a particular interest yield profile.

Within the financial assets portfolio of the Bank, the "*Hold-to-collect and Sale*" Business Model is applicable to *the bond portfolios,* managed for liquidity needs. The portfolios are composed of highly liquid assets and have the main objective meeting the liquidity needs and secondary to collect interest.

The target of these liquidity portfolios is to safeguard in stress times the continuity of the bank's activity, which sets the return objective in a secondary plan. The portfolios are managed based on a specific Investment Policy Statement (IPS) which imposes asset allocation restrictions based on certain criteria (central bank eligibility, credit risk, liquidity risk, concentration risk and market risk). The portfolio performance is monitored on a relative basis in risk-adjusted terms versus a benchmark.

c. Other

The objective of the business model is considered 'other' when it does not fall into one of the previous two categories discussed above. This would be the case where:

- a portfolio of financial assets is managed with the objective of realising cash flows through the sale of the financial assets in order to realise fair value changes arising from changes in credit spreads and yield curves. This results in active buying and selling and managing the instruments to realise fair value gains rather than to collect the contractual cash flows;
- a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis;
- a portfolio of financial assets meets the definition of held for trading;

The „Other" Business Model is applicable to the held for trading portfolio. Its strategy is to realize cash flows through sale of the assets or to manage the instruments actively on a fair value basis in order to realize fair value changes arising from changes in credit spreads and yield curves.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test. For this purpose, the contractual interest is defined as consideration for:

- time value of money;
- credit risk associated with the principal amount outstanding;
- other basic lending risks (for example liquidity);
- costs (for example administrative) and
- profit margin.

Time value of money is the element of interest that provides consideration for only the passage of time. In some cases, the time value of money element may be modified (imperfect). In this case it must be assessed if the contractual cash flows still represent solely payments of principal and interest, i.e. the modification term does not significantly alter the cash flows from a "perfect" benchmark instrument. This assessment is not an accounting policy choice and cannot be avoided simply by concluding that an instrument, in the absence of such an assessment, will be measured at fair value.

Both qualitative and quantitative approaches can be used to determine whether the time value of money element of the interest rate provides consideration for just the passage of time.

When assessing a financial asset with a modified time value of money element, the entity should compare the financial asset under assessment to the "perfect" ("benchmark") instrument (that is, the cash flows that would arise if the time value of money element was not modified).

If in any reasonably possible scenario, the difference between the cash flows of the benchmark instrument and the cash flows of the instrument under assessment are significantly different, its contractual cash flows are not considered SPPI and the instrument must be measured at FVTPL.

(iv) Financial assets and liabilities

Loans and advances to banks, loans and advances to customers, financial investments at amortised cost

The Bank only measures loans to banks, loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivatives recorded at fair value through profit or loss

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

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

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in financial assets are not separated from the non-financial host contracts; instead, the entire hybrid instrument is assessed for classification, based on the business model and SPPI assessments. Derivatives embedded in financial liabilities are accounted for separately from the non-financial host contracts.

Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

Debt instruments at FVOCI

The Bank measures debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a weighted average cost basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Group elected to classify irrevocably its equity investments, other than subsidiaries, joint ventures and associates as equity instruments at FVOCI with no recycling of gains or losses on profit or loss on derecognition.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- The liabilities (and assets until 1 January 2018 under IAS 39) are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- The liabilities (and assets until 1 January 2018 under IAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest earnt on assets mandatorily required to be measured at FVPL is recorded using effective interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the financial statements (within *Provisions*) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL provision.

The premium received is recognised in the income statement in *Net fees and commission income* on a straight line basis over the life of the guarantee.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.

(v) Recognition

The Group initially recognizes financial assets and liabilities at fair value, on initial recognition date. This is the date at which the Group becomes a party to the contractual provisions of the instrument.

Initial recognition date is important given that:

- benchmark test should be performed at the initial recognition;
- it is the date on which the classification assessment is performed (i.e.: the contractual characteristics at this date will trigger the classification and measurement of an exposure);
- the credit risk variation is measured from initial recognition. Therefore, the assessment whether there was an increase / significant deterioration in credit risk at each reporting date is performed compared to the conditions existing at initial recognition date;
- at the initial recognition the POCI assessment is performed – hence the Bank will recognise a POCI asset if the client is in default at the initial recognition date;
- at the initial recognition date the exposure needs to be recognised at fair value and the EIR or credit adjusted EIR is calculated.

The origination date is different from the initial recognition date when subsequent to origination, the contract can be significantly modified through either a commercial renegotiation or a restructuring operation.

(vi) Derecognition

Derecognition is the term used for the removal of an asset or liability from the balance sheet. Derecognition appears when:

- the rights to the cash flows from the asset expire,
- the rights to the cash flows from the asset and substantially all risks and rewards of ownership of the asset are transferred, or
- an obligation to transfer the cash flows from the asset is assumed and substantially all risks and rewards are transferred.

If the entity retains control of the asset but does not retain or transfer substantially all the risks and rewards, the asset is recognised to the extent of the entity's continuing involvement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A financial liability is removed from the balance sheet only when it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled, or expires. A transaction is accounted for as a collateralised borrowing if the transfer does not satisfy the conditions for derecognition.

When assessing whether or not to derecognise a loan to a customer due to a modification in terms and conditions, amongst others, the Group considers the following factors:

- Change in currency of the loan;
- Change in reimbursement schedule (e.g. extension of the remaining term of 50% and more than 2 years);
- Prolongation at contractual maturity / increase / decrease in an existing loan facility under market conditions;
- Introduction or elimination of a clause that would result in different classification.

In case the modification of terms and conditions does not result in derecognition, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

(vii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the consolidated and separate statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

(viii) Fair value measurement

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

All estimates and judgments used in fair value measurement are described in Note 6. Unquoted equity instruments for which a reliable estimate of the fair value cannot be made are measured at cost and periodically tested for impairment.

(ix) Identification and measurement of impairment

The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2,Stage 3 and POCI, as described below:

- **Stage 1**: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

- **Stage 2**: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

- **Stage 3**: Loans considered credit-impaired. The bank records an allowance for the LTECLs.

- **POCI**: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Measurement of Expected Credit Losses

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit losses these are:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses;
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

Credit risk comes from the risk of suffering financial loss, should any of our customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as, financial guarantees, letters of credit, and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

Raiffeisen BANK

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The Probability of Default represents the likelihood of a borrower defaulting on its financial obligation either over the next twelve months or over the remaining lifetime of the obligation.

Different models have been used to estimate the default profile of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign, local and regional governments and insurance companies: The default profile is generated using a transition matrix approach;
- Corporate customers, project finance and financial institutions: The default profile is generated using a parametric survival regression approach;
- Retail lending and mortgage loans: The default profile is generated using parametric survival regression in competing risk frameworks.

Forward-looking information is also incorporated into the probability of default in all models described above.

- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Exposure at default is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis, where relevant early repayment/refinance assumptions are also considered in the calculation.

For revolving products, the exposure at default is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default. In the limited circumstances where some inputs are not fully available benchmarking of inputs is used for the calculation.

- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Different models have been used to estimate the loss given default of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign: the loss given default is found by using market implied sources.
- Corporate customers, project finance, financial institutions, local and regional governments, insurance companies: the loss given default is generated by discounting cash flows collected during the workout process. Forward-looking information is incorporated into the loss given default using the Vasicek model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Retail mortgages and other retail lending: the loss given default is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory loss given default. Forward-looking information is incorporated into the loss given default using various satellite models.

In the limited circumstances where some inputs are not fully available alternative recovery models, benchmarking of inputs and expert judgement is used for the calculation.

When estimating the ECLs, the Bank considers multiple scenarios. Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the multiple scenarios, as explained above.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.

- Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within *Provisions*.

- Financial guarantee contracts: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the scenarios. The ECLs related to financial guarantee contracts are recognised within *Provisions.*

3. SIGNIFICANT ACCOUNTING POLICIES (continued).

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

Significant Increase in Credit Risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- *Quantitative Criteria*

The Group uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios. For quantitative staging the Group compares the lifetime PD curve at measurement data with the forward lifetime PD curve at the date of initial recognition. For the estimation of the lifetime PD curve at the date of initial recognition assumptions are made about the structure of the PD curve. On the one hand in the case of highly rated financial instruments it is assumed that the PD curve will deteriorate over time. On the other hand for low rated financial instruments it is assumed that the PD curve will improve over time. The degree of improvement or deterioration will depend on the level of the initial rating. In order to make the two curves comparable the PDs are scaled down to annualized PDs. In general a significant increase in credit risk is considered to have occurred with a relative increase in the PD of up to 250% although this amount can be lower due to several limiting factors such as closeness to maturity and portfolios of products.

The Group is not aware of any generally accepted market practice for the level at which a financial instrument has to be transferred to Stage 2. From this perspective it is expected that the increase in PD at reporting date which is considered significant will develop over a period of time as a result of an iterative process between market participants and supervisors.

- *Qualitative Criteria*

The Group uses qualitative criteria as a secondary indicator of significant increase in credit risk for all material portfolios. A movement to Stage 2 takes place when the criteria below are met.

For sovereign, bank, corporate and project finance portfolios, if the borrower meets one or more of the following criteria:

- External market indicators
- Changes in contract terms
- Changes to management approach
- Expert judgement

The assessment of significant increase in credit risk incorporates forward-looking information and is performed on a quarterly basis at a deal level for all non-retail portfolios held by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

For retail portfolios, if the borrower meets one or more of the following criteria:

- Forbearance, which refers to concessions made to the borrower by the lender, for economic or contractual reasons when the borrower is experiencing financing difficulties, but which the lender would not otherwise grant;
- Expert judgement.

The assessment of significant increase in credit risk incorporates forward-looking information and is performed on a monthly basis at a deal level for all retail portfolios held by the Group.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. At the same time, the Group adhered to the rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Definition of Default and Credit-Impaired Assets

The Group's default definition complies with the guidelines on the definition of default published by the European Banking Authority (EBA/GL/2016/07).

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria*

The borrower is more than 90 days past due on its contractual payments and no attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3.

- *Qualitative Criteria*

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is deceased;
- The borrower is insolvent (insolvency for private individuals is according to provisions of Law no.151/2015, which is applicable starting with 2018);
- The borrower is in breach of financial covenants;
- The borrower is in default on other Group exposures, due to contamination effect;
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- It is becoming probable that the borrower will enter bankruptcy;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of a minimum of 3 months or longer for distressed restructured exposures. This period of 3 months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Forward Looking Information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the probability of default, loss given default and exposure at default vary by category type. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by Raiffeisen Research on a quarterly basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate or a long run average growth rate until maturity. The impact of these economic variables on the probability of default, loss given default and exposure at default has been determined by performing statistical regression to understand the impact changes in these variables have had historically on default rates and on the components of loss given default and exposure at default.

In addition to the base economic scenario, Raiffeisen Research also provides a best case and worst case scenario along with scenario weightings to ensure non-linearities are captured. The Group has concluded that three scenarios or less appropriately captured non-linearity. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit loss model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and cover any potential non-linearities and asymmetries within the Group's different portfolios.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sensitivity analysis

The most significant assumptions affecting the expected credit loss allowance are as follows:

- Corporate portfolios
  - Gross domestic product
  - Unemployment rate.

- Retail portfolios
  - Gross domestic product
  - Exchange rate EUR/RON
  - ROBOR 3M
  - Unemployment rate.

For details regarding the results of the sensitivity analysis performed, refer to *Note 6*.

Discount Factor

In general for on balance sheet exposure which is not leasing or POCI the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on an annual basis.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Write-offs

Financial assets are written off in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

k) Hedge Accounting

The Group has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

The Group applies micro and macro fair value hedge. The Group's hedging objective refers explicitly to the interest rate risk exposure due to shifts in the corresponding benchmark rate. The credit risk exposure of the assets is not considered for hedging purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

At inception, the Group formally documents how the hedging relationship meets the hedge accounting criteria. It also records the economic relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis. In order to qualify for hedge accounting, a hedge relationship must be expected to be highly effective on a prospective basis and it needs to be demonstrated that it was highly effective in the previous designated period (i.e., one month).
A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk are expected to be offset by the hedging instrument in a range of 80% to 125%. It is also necessary to assess, retrospectively, whether the hedge was highly effective over the previous one month period. The hedge accounting documentation includes the method and results of the hedge effectiveness assessments.

Prospective and retrospective effectiveness tests are conducted using the quantitative method of dollar offset. This consists in computing the ratio of the change in the clean, cumulated fair value of the hedging instrument to the change in the clean, cumulated fair value of the hedged item attributable to the hedged risk.

Hedge accounting ceases prospectively when any of the following events occur:

- the hedge no longer meets the hedge accounting criteria (for example it is no longer highly effective or its effectiveness is no longer measurable);
- the hedged item is sold or settled;
- the hedging instrument expires or is sold, terminated or exercised;
- the management decides to revoke the designation;

If a hedging relationship no longer meets the hedge effectiveness criteria or fails the materiality threshold mentioned above, hedge accounting ceases from the last date on which the hedge was considered to be effective, which will be the beginning of the period in which the hedge ceased to meet the effectiveness criteria or exceeded the materiality threshold.
If the entity determines that a certain event, change in circumstances/market disruption caused the hedging relationship to fail the effectiveness tests and demonstrates that the hedge was effective before the event or change in circumstances occurred, hedge accounting ceases from the date of the event or change in circumstances.
After derecognition of the hedging relationship, the future fair value changes of the derivative are further recognized in profit or loss under "Trading income", whereas the hedged item will be accounted for as it was before the hedging designation, without applying the hedge accounting rules– e.g. loans will return to amortized cost treatment. For the items for which the effective interest method is used, the previous hedging adjustments are amortized to profit or loss over the remaining life of the hedged item.

l) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise: cash balances on hand, current accounts and other placements with the National Bank of Romania, nostro accounts and placements with other banks which have a short maturity of three months or less from the date of acquisition.

m) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The costs with maintenance of property, plant and equipment are recognized in profit or loss account as they incur. Expenses generated by replacing a component of a property, plant and equipment item, including major repairs, are capitalized, if improve the future performance of the property, plant and equipment item.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each item. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Office equipment and furniture	5 years
Motor vehicles	5 years
Computer equipment	4 years

Depreciation methods, useful life and residual values are reassessed at each reporting date and adjusted if appropriate.

n) Intangible assets

Software

Software acquired by the Group is stated at cost less accumulated amortization and accumulated impairment losses. Expenditure on internally developed software is recognized as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and are amortized over its useful life.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is expensed as incurred. Amortization is recognized in profit or loss on a straight line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is between 1 and 8 years. Amortization methods, useful life and residual values are reassessed at each reporting date and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) *Leased assets*

Lessee: The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial indirect costs incurred and lease payments made at or before the commencement date less any incentives received. Right-of-use assets are depreciated on a straight line basis over the lease term.

The right-of-use assets are presented within *note 30* and are subject to impairment in line with Group's policy as described in note *3 p) Impairment of non-financial assets*.

Lessor: Lessor accounting is substantially unchanged as a result of the implementation of IFRS 16 "Leases". The Group also acts as lessor in contract through which substantially all the risks and rewards of ownership are transferred to the lessee. These contracts are classified as finance leases and a receivable equal to the present value of minimum lease payments is recognized in the consolidated financial statements. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss under "Other operating income".

p) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A cash-generating unit is the smallest identifiable group of assets that generates cash flows that largely are independent from other assets or groups of assets. Impairment losses are recognized in profit or loss.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets of the cash-generating unit, on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Inventory

Inventories are measured at the lower of cost or net realizable value. Repossessed real estates resulting from loans are booked in accordance with IAS 2 ”Inventories”, at the lower of the cost (i.e.: loan net of provision) and net realizable value (i.e.: realization value of collateral, decreased by selling costs).

r) Deposits from customers, loans from banks, debt securities issued, subordinated liabilities and other equity instruments

Deposits from customers, loans from banks, debt securities issued, subordinated liabilities and other equity instruments are the Group's sources of funding.

The Group classifies issued financial instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits from customers, loans from banks, debt securities issued and subordinated liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method.

Other equity instruments are comprised of subordinated unsecured instruments notes issued by the Group that are classified as equity instruments (refer to *Note 43)*. At initial recognition the instruments are booked at nominal amount less transaction costs directly attributable to the instruments. The instruments are kept in functional currency, its value being the amount in foreign currency multiplied by the exchange rate applicable at transaction date. Subsequently they are maintained in functional currency, without being revaluated, as the instruments represent non-monetary elements. Distributions from principal are paid from distributable profits and represent dividends. In case the Group requires redemption, the payment is made in original currency, at the exchange rate available at the payment date. If a decision for redemption is made, the instruments are reclassified as financial liabilities. Also, in case distributions are made during the period in which the instruments are classified as liabilities, such distributions represent interest expense for the Group. In case of write down, the amount is booked directly in equity.

s) Employee benefits

Short-term benefits

Short-term employee benefit obligations are expensed as the related service is provided. Short-term employee benefits include wages, bonuses and social security contributions.

An accrual is recognized for the amounts expected to be paid under short-term cash bonus or profit-sharing plans, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the consolidated statement of comprehensive income as incurred.

The Group, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension (Pillar 3), health care and unemployment benefit. All employees of the Group are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the consolidated statement of comprehensive income as incurred. The Group does not have any further obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Defined benefit plans

The Group does not operate any defined benefit plan and, consequently, has no obligation in this respect.

Long-term employee benefits

The Group's net obligation in respect of long-term service benefits, other than postemployment plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

In case of retirement, the Group offers to the respective employees a number of salaries, depending on the service period. The obligation for this jubilee granted under the provisions of the Group's collective labour agreement is estimated using the projected unit credit method and is recognized to the consolidated statement of comprehensive income on an accruals basis. Changes in the discount rate and from other actuarial assumptions are recognized in other comprehensive income.

t) Business combination

The acquisition of business operations is recognized according to the acquisition method. The consideration transferred in a business combination is measured at fair value. This is calculated as the aggregate of the acquisition date fair value of all assets transferred, liabilities assumed from former owners of the acquired business combination and equity instruments issued by the Group in exchange for control of the business combination.

Transaction costs related to business combinations are recognized in the income statement when incurred.

Goodwill is measured as the excess of the aggregate of the value of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree (if any), and the net of the acquisition-date amounts of the fair values of identifiable assets acquired and the liabilities assumed.

In the event that the difference is negative after further review, the resulting gain is recognized immediately in the income statement.

u) Provisions

A provision is recognized in consolidated financial position if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions include provisions for pending legal issues, provisions for un-drawn commitments and other provisions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Taxes

Income tax policy is described in *Note 3 i).* The Group recognizes its liabilities related to the deposit insurance fee, resolution fund fee and banking tax in accordance to IFRIC Interpretation 21, "Levies".

The liability to pay these levies is recognized when they become constructive. For the deposit insurance fee and resolution fund fee, the obligation arises annually on January 1, as the Bank performs activities related to deposits received. For the banking tax, the obligation arises annually on December 31 when all the information regarding its calculation is available.

w) Segment reporting

The Group discloses information at segment level to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

An operating segment is a component of the Group:
(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group)

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

(c) for which discrete financial information is available.
Segment reporting is based on the following business lines of the Group: corporate, individuals, small and medium entities (referred to as "SME") and treasury, the latter including financial institutions.

4. Standards, interpretations and amendments to published International Financial Reporting Standards

Standards issued but not yet effective and not early adopted:

The Group has not adopted early any standard, interpretation or amendment that has been issued but is not yet effective.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments.

4. Standards, interpretations and amendments to published International Financial Reporting Standards (continued)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
  - **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

  The amendments have not yet been endorsed by the EU.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**
  The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease.

  The Group did not apply the relief allowed by this amendment.

4. Standards, interpretations and amendments to published International Financial Reporting Standards (continued)

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. Management is currently in process of assessing the impact from these amendments.

The exposure of the Bank towards relevant benchmark rates at 31 December 2020 are presented below:

RON thousand	**Loans and advances**	**Deposits**	**Debt securities (assets)**	**Debt securities issued (liabilities)**	**Derivatives**
	Carrying amount	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Notional**
referenced to EONIA	507,465	976	-	-	-
of which: maturing after 2021	19,684	976	-	-	-
referenced €STR	-	-	-	-	-
referenced to EURIBOR (all tenors)	6,443,752	681,562	-	-	339,543
referenced to LIBOR (all tenors)	865,581	5,752	40,613	-	-
of which: USD	409,213	5,752	40,613	-	-
of which: CHF	456,368	-	-	-	-
referenced to other (national) benchmarks (all tenors)	14,289,438	73,435	224,539	480,000	86,000
of which ROBOR	12,031,946	73,435	224,539	480,000	86,000
of which IRCC	2,257,491	-	-	-	-

The risk related to the implementation of the new family of risk free interest rates introduced to markets are:

- Risks on the existing contracts (legacy contracts), for which new interest rates will be used and their calculation;
- A high risk in relation to the loans granted to personal individuals, in swiss franc currency, for which it is required to change in the national legislation, with the implication of all relevant authorities (Romanian Central Bank, Financial Supervisory Authority, the National Authority for Consumer Protection and the Government) because the existing legislation only allow for the interest rates mentioned by current regulations;
- The effort to adapt the IT systems in order to allow the replacement of the existing benchmarks with the new ones and the need for the calculation of rates by the Bank.

In order to make the transition to the new benchmarks, the Bank performed the following activities:

- changed the new contracts with the customers so that the fallback clause was included since January 2020;
- participates in the working group related to benchmark reform impact in romanian banking system, in order to introduce new clauses related to benchmark reform in the Romanian legislation.

In the following period the Bank will:

- enable technical implementation of the new rates in the banks' systems;
- change the current rates on existing contracts with the new fallback rates starting with January 1st, 2022.

5. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note provides details of the Group's exposure to each of the above mentioned risks, as well as Group's policies and processes for measuring and managing risk.

The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and equity price risk.

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the risk management framework. Assets and Liabilities Committee ("ALCO"), Credit Risk Committee, Risk Management Committee and Problem Loan Committee are responsible for developing and monitoring Group's risk management policies in their specified areas.

All committees report regularly to the Management Board. The framework for risk management is defined in the risk strategy, elaborated and reviewed with annual frequency. The risk profile is also annually reviewed and comprises the evaluation of all risks considered significant. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and compliance with the approved limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. This process of risk management is critical to the Bank's continuing profitability and each employee within the Group is responsible for monitoring compliance with the Group's risk management procedures.

The Audit Committee reports to the Supervisory Board and has the responsibility to monitor the compliance with risk management procedures. Internal Audit assists the Audit Committee in these functions. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Stress Testing exercises are a common practice in the Group. Stress tests to be performed are either locally developed or developed and run at Raiffeisen Bank International Group level. The bank put in place a "Business stress testing concept paper" which establishes the steps, concepts, methodologies and timelines in stress testing process. All stress tests results are analyzed and reported to management.

5. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk

i) Credit risk management

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentration, and by monitoring exposures in relation to such limits. The Group is exposed to credit risk through its lending, trading and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties, or in the situation in which it conducts financial leasing operations, or it issues guarantees.

Credit risk associated with trading and investing activities is managed through the Group's credit risk management process. The risk is mitigated through selecting counterparties of good financial standings and monitoring their activities and through the use of credit limits and when appropriate, by obtaining collateral. The Group's primary exposure to credit risk arises through its loans and advances to customers as well as from conduction of activities related to concluding finance lease contracts. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Group is exposed to credit risk on various other financial assets, including derivative instruments and debt investments, the current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit and guarantees. In order to minimize this risk, Group procedures are in place to screen the customers before granting the loans and lease contracts and to monitor their ability to repay the principal and interest during the duration of the loans and lease contracts and to establish exposure limits.

The Management Board has delegated the responsibility for the credit risk management to the Credit Committee. A Risk Division, reporting to the Chief Risk Officer is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies, by pursuing the target of maintaining a healthy loan portfolio, by establishing adequate limits and defining specific lending criteria for certain products, clients categories etc.
- Establishing and implementing of procedures related to: the treatment and valuation of collaterals, periodical loan reviews, classification and loan portfolio reporting, legal documentation related to loans and lending activity, monitoring and treatment of nonperforming loans, ensuring compliance with the regulatory requirements.
- Establishing an authorization structure of approval and renewing of loan facilities: the authorization limits can be settled at the individual level of certain designated risk analysts or at the Credit Committee level or at the level of the approving entity designated at Group level. The authorization limits are stipulated in the Credit Committee and are established on different criteria like loan amount and compliance with the credit policies.
- Evaluation and review of the credit risk take place in accordance with the authorization limits set out in the Credit Committee as well as with the regulatory requirements.
- Limiting concentrations of exposure to counterparties, geographical areas, industries and by issuer, loan classification category, market liquidity and country (for investment securities). The concentration risk is monitored throughout the portfolio management activity. It is analyzed on a monthly basis through reports and presented to the personnel involved in the lending activity as well as to the management.
- Developing and maintaining the client classification systems depending on the risk grading. Unitary client classification systems are used at Group level depending on the client risk grading. These systems comprise both scoring and rating methodologies. The Group performs periodical reviews of the clients' classification systems. The risk grading measured through the above mentioned systems stands at the base of determining the loan loss provision necessary to cover the default risk.

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5. FINANCIAL RISK MANAGEMENT (continued)

- Reviewing and monitoring the compliance of business units with the limits established through the Credit Policies and internal norms.
- Regular reports are provided to Credit Committee on loan portfolio quality and appropriate corrective actions are proposed and implemented.
- Providing information, advice, guidance and expertise to business units in order to promote credit risk management best practice throughout the Group.

The Group has implemented an Early Warning Signs, which is used for a monthly credit portfolio screening targeting identification of upcoming problematic exposures as early as possible. The system is based on triggers automatically detected for each client on monthly basis, but it is also based on ad-hoc manual input if adverse information is known.

The implementation of the credit policies and procedures is insured at the Group's level. Each branch is obliged to respect and implement the Group's loan policies and procedures. Each branch is responsible for the quality and performance of its credit portfolio. The Group has process of centralization of both credit approval and loan administration for companies and individuals, which leads to improved quality of the credit portfolio and better monitoring.

Internal Audit undertakes regular audits of branches/agencies and Group credit processes.

The major concentrations of credit risk arise by type of customer in relation to the Group's loans and advances and credit commitments. Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's loans and advances, commitments to extend credit and guarantees issued.

ii) Credit risk management

In the table below are presented the risk concentrations by product for retail customers and by economic sectors for non-retail customers. In the table are presented gross balance sheet exposures:

In RON thousand

	Group	Group
	31 December 2020	**31 December 2019**
Retail customers, of which:		
Personal loan	6,796,329	6,528,980
Mortgage	6,510,501	5,937,144
Consumer loans guaranteed with mortgage	1,097,026	1,219,920
Credit Card	1,018,941	1,016,285
Overdraft	474,347	540,978
Investment financing	1,646,019	1,537,196
Non-retail customers, of which:		
Corporate lending	7,087,325	7,237,697
Project finance	2,040,603	1,850,898
Financial institution non-bank	1,070,895	877,811
Small business (SMB)	1,670,643	1,345,303
Public sector	642,420	588,473
Sovereign	49,540	40,495
Total gross exposure	**30,104,589**	**28,721,180**
Impairment allowance	(1,331,529)	(1,127,546)
Total loans and advances to customers at amortised cost	**28,773,060**	**27,593,634**

5. FINANCIAL RISK MANAGEMENT (continued)

In RON thousand

	Bank	Bank
	31 December 2020	**31 December 2019**
Retail customers, of which:		
Personal loan	6,796,329	6,528,980
Mortgage	6,462,148	5,871,926
Consumer loans guaranteed with mortgage	1,097,026	1,219,920
Credit Card	1,018,941	1,016,285
Overdraft	474,347	540,978
Investment financing	1,231,490	1,089,580
Non-retail customers, of which:		
Corporate lending	7,361,291	7,318,194
Project finance	2,040,603	1,850,898
Financial institution non-bank	1,060,565	862,557
Small business (SMB)	1,270,858	1,126,407
Public sector	642,420	588,473
Sovereign	49,540	40,495
Total gross exposure	**29,505,558**	**28,054,693**
Specific impairment allowance	(1,284,707)	(1,093,279)
Total loans and advances to customers at amortised cost	**28,220,851**	**26,961,414**

5. FINANCIAL RISK MANAGEMENT (continued)

In the table below are presented the risk concentrations by product for retail customers and by economic sectors for non-retail customers. The amounts represent gross balance sheet exposures.

Group	31 December 2020						
In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	of which POCI stage 2	of which POCI stage 3	Total
Loans and advances to customers at amortised cost							
Non-retail:	**9,784,991**	**2,432,111**	**-**	**344,324**	**-**	**57,866**	**12,561,426**
Corporate lending	5,887,365	989,053	-	210,907	-	50,484	7,087,325
Project finance	1,057,261	915,149	-	68,193	-	-	2,040,603
Financial institution non-bank	1,062,540	6,835	-	1,520	-	-	1,070,895
Small and medium business	1,117,613	489,326	-	63,704	-	7,382	1,670,643
Public sector	611,988	30,432	-	-	-	-	642,420
Sovereign	48,224	1,316	-	-	-	-	49,540
Retail	**14,450,139**	**2,252,107**	**840,917**	**-**	**142,632**	**67,562**	**17,543,163**
Personal Loan	5,933,516	486,084	376,729	-	1,033	931	6,796,329
Mortgage	5,611,210	762,815	136,476	-	43,355	16,214	6,510,501
Micro	1,371,454	175,858	98,707	-	133	1,628	1,646,019
Consumer loans guaranteed with mortgage	455,457	445,063	196,506	-	97,272	42,636	1,097,026
Credit card	890,346	104,967	23,628	-	825	6,743	1,018,941
Overdraft	188,156	277,320	8,871	-	14	(590)	474,347
Total gross exposure	**24,235,130**	**4,684,218**	**840,917**	**344,324**	**142,632**	**125,428**	**30,104,589**
Impairment allowance	(186,883)	(301,818)	(618,824)	(224,004)	(4,833)	(81,116)	(1,331,529)
Net exposure	**24,048,247**	**4,382,400**	**222,093**	**120,320**	**137,799**	**44,312**	**28,773,060**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in "Stage 2", but remain to be accounted for as POCI as required by IFRS 9.

5. FINANCIAL RISK MANAGEMENT (continued)

Group	**31 December 2019**						
In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Loans and advances to customers at amortised cost							
Non-retail:	**10,312,855**	**1,277,713**	**-**	**350,109**	**41,374**	**51,597**	**11,940,677**
Corporate lending	6,734,991	268,483	-	234,223	-	45,184	7,237,697
Project finance	1,585,732	196,526	-	68,640	41,374	-	1,850,898
Financial institution non-bank	786,155	90,166	-	1,490	-	-	877,811
Small and medium business	1,118,517	181,030	-	45,756	-	6,413	1,345,303
Public sector	46,965	541,508	-	-	-	-	588,473
Sovereign	40,495	-	-	-	-	-	40,495
Retail	**13,835,868**	**2,086,876**	**857,759**	**-**	**147,901**	**77,800**	**16,780,503**
Personal Loan	5,827,019	365,525	336,436	-	1,088	1,170	6,528,980
Mortgage	5,168,372	614,829	153,943	-	45,424	20,279	5,937,144
Micro	1,279,292	150,004	107,900	-	35	1,746	1,537,196
Consumer loans guaranteed with mortgage	467,363	524,895	227,662	-	100,843	51,199	1,219,920
Credit card	847,535	145,254	23,496	-	448	3,406	1,016,285
Overdraft	246,287	286,369	8,322	-	63	-	540,978
Total gross exposure	**24,148,723**	**3,364,589**	**857,759**	**350,109**	**189,275**	**129,397**	**28,721,180**
Impairment allowance	(133,731)	(179,537)	(578,979)	(235,299)	(3,693)	(86,321)	(1,127,546)
Net exposure	**24,014,992**	**3,185,052**	**278,780**	**114,810**	**185,582**	**43,076**	**27,593,634**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

Ernst & Young Assurance Services S.R.L
22. MAR. 2021
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TRANSLATOR'S EXPLANATORY NOTE: The above translation of the consolidated and separate financial statements is provided as a free translation from Romanian which is the official and binding version.

5. FINANCIAL RISK MANAGEMENT (continued)

Bank

In RON thousand	31 December 2020						
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Loans and advances to customers at amortised cost							
Non-retail:	**9,817,307**	**2,281,947**	**-**	**326,023**	**-**	**57,866**	**12,425,277**
Corporate lending	6,188,518	969,820	-	202,953	-	50,484	7,361,291
Project finance	1,057,261	915,149	-	68,193	-	-	2,040,603
Financial institution non-bank	1,052,210	6,835	-	1,520	-	-	1,060,565
Small and medium business	859,106	358,395	-	53,357	-	7,382	1,270,858
Public sector	611,988	30,432	-	-	-	-	642,420
Sovereign	48,224	1,316	-	-	-	-	49,540
Retail	**14,058,484**	**2,212,086**	**809,711**	**-**	**142,632**	**67,562**	**17,080,281**
Personal Loans	5,933,516	486,084	376,729	-	1,033	931	6,796,329
Mortgage	5,565,097	762,130	134,921	-	43,355	16,214	6,462,148
Micro	1,025,912	136,522	69,056	-	133	1,628	1,231,490
Consumer loan guaranteed with mortgage	455,457	445,063	196,506	-	97,272	42,636	1,097,026
Credit card	890,346	104,967	23,628	-	825	6,743	1,018,941
Overdraft	188,156	277,320	8,871	-	14	(590)	474,347
Total gross exposure	**23,875,791**	**4,494,033**	**809,711**	**326,023**	**142,632**	**125,428**	**29,505,558**
Impairment allowance	(181,984)	(299,247)	(601,367)	(202,109)	(4,833)	(81,116)	(1,284,707)
Net exposure	**23,693,807**	**4,194,786**	**208,344**	**123,914**	**137,799**	**44,312**	**28,220,851**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in "Stage 2", but remain to be accounted for as POCI as required by IFRS 9.

5. FINANCIAL RISK MANAGEMENT (continued)

Bank

	31 December 2019						
In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	of which POCI stage 2	of which POCI stage 3	Total
Loans and advances to customers at amortised cost							
Non-retail:	**10,226,466**	**1,231,384**	**-**	**329,174**	**41,374**	**51,597**	**11,787,024**
Corporate lending	6,838,996	256,633	-	222,565	-	45,184	7,318,194
Project finance	1,585,732	196,526	-	68,640	41,374	-	1,850,898
Financial institution non-bank	770,901	90,166	-	1,490	-	-	862,557
Small and medium business	943,377	146,551	-	36,479	-	6,413	1,126,407
Public sector	46,965	541,508	-	-	-	-	588,473
Sovereign	40,495	-	-	-	-	-	40,495
Retail	**13,362,429**	**2,083,355**	**821,885**	**-**	**147,901**	**77,800**	**16,267,669**
Personal Loans	5,827,019	365,525	336,436	-	1,088	1,170	6,528,980
Mortgage	5,106,448	613,767	151,711	-	45,424	20,279	5,871,926
Micro	867,777	147,545	74,258	-	35	1,746	1,089,580
Consumer loan guaranteed with mortgage	467,363	524,895	227,662	-	100,843	51,199	1,219,920
Credit card	847,535	145,254	23,496	-	448	3,406	1,016,285
Overdraft	246,287	286,369	8,322	-	63	-	540,978
Total gross exposure	**23,588,895**	**3,314,739**	**821,885**	**329,174**	**189,275**	**129,397**	**28,054,693**
Impairment allowance	(129,048)	(178,950)	(566,250)	(219,031)	(3,693)	(86,321)	(1,093,279)
Net exposure	**23,459,847**	**3,135,789**	**255,635**	**110,143**	**185,582**	**43,076**	**26,961,414**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in "Stage 2", but remain to be accounted for as POCI as required by IFRS 9.

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5. FINANCIAL RISK MANAGEMENT (continued)

The tables below present the split of loans and advances to retail customers by credit quality. The internal rating grade presented is further explained below within *Note 5*, within the Group's internal credit rating grades tables.

Group
In RON thousand

31 December 2020 Internal rating grade	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Out of which POCI stage 2	Out of which POCI stage 3	Total
Minimal Risk	2,128,136	63,972	-	1,576	-	2,192,108
Excellent Credit Standing	182,051	10,380	-	25	-	192,431
Very Good Credit Standing	4,991,253	376,458	-	23,795	-	5,367,711
Good Credit Standing	2,636,713	125,700	-	338	-	2,762,413
Sound Credit Standing	2,424,153	315,654	-	31,736	-	2,739,807
Acceptable Credit Standing	1,096,345	497,754	-	41,629	-	1,594,099
Marginal Credit Standing	437,891	407,190	-	35,908	-	845,081
Weak Credit Standing	83,950	147,574	-	81	-	231,524
Very Weak Credit Standing	8,997	231,869	-	7,376	-	240,866
Default	-	-	839,362	-	67,562	839,362
Not Rated	460,650	75,556	1,555	168	-	537,761
Total	**14,450,139**	**2,252,107**	**840,917**	**142,632**	**67,562**	**17,543,163**

Group
In RON thousand

31 December 2019 Internal rating grade	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Out of which POCI stage 2	Out of which POCI stage 3	Total
Minimal Risk	2,759,780	47,951	-	766	-	2,807,731
Excellent Credit Standing	1,285,504	59,029	-	5,300	-	1,344,533
Very Good Credit Standing	2,922,568	265,171	-	25,180	-	3,187,739
Good Credit Standing	2,433,354	127,968	-	1,367	-	2,561,322
Sound Credit Standing	2,222,550	448,141	-	42,711	-	2,670,691
Acceptable Credit Standing	929,405	451,290	-	42,705	-	1,380,695
Marginal Credit Standing	566,049	351,349	-	24,751	-	917,398
Weak Credit Standing	152,418	119,906	-	89	-	272,324
Very Weak Credit Standing	11,962	180,495	-	5,016	-	192,457
Default	-	-	853,952	-	77,800	853,952
Not Rated	552,278	35,576	3,807	16	-	591,661
Total	**13,835,868**	**2,086,876**	**857,759**	**147,901**	**77,800**	**16,780,503**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in "Stage 2", but remain to be accounted for as POCI as required by IFRS 9.

In "Not Rated" category are also included retail exposures of subsidiaries for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, general IFRS 9 impairment rules apply, as described *in Note 3 (ix) Identification and measurement of impairment.*

5. FINANCIAL RISK MANAGEMENT (continued)

Bank
In RON thousand

Internal rating grade	31 December 2020					
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Out of which POCI stage 2	Out of which POCI stage 3	Total
Minimal Risk	2,128,136	63,972	-	1,576	-	2,192,108
Excellent Credit Standing	182,051	10,380	-	25	-	192,431
Very Good Credit Standing	4,991,253	376,458	-	23,795	-	5,367,711
Good Credit Standing	2,635,225	125,543	-	338	-	2,760,768
Sound Credit Standing	2,424,153	315,654	-	31,736	-	2,739,807
Acceptable Credit Standing	1,096,345	497,754	-	41,629	-	1,594,099
Marginal Credit Standing	437,891	407,190	-	35,908	-	845,081
Weak Credit Standing	83,483	147,574	-	81	-	231,057
Very Weak Credit Standing	8,997	231,870	-	7,376	-	240,867
Default	-	-	809,711	-	67,562	809,711
Not Rated	70,950	35,691	-	168	-	106,641
Total	**14,058,484**	**2,212,086**	**809,711**	**142,632**	**67,562**	**17,080,281**

Bank
In RON thousand

Internal rating grade	31 December 2019					
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Out of which POCI stage 2	Out of which POCI stage 3	Total
Minimal Risk	2,759,780	47,951	-	766	-	2,807,731
Excellent Credit Standing	1,285,504	59,029	-	5,300	-	1,344,533
Very Good Credit Standing	2,922,568	265,171	-	25,180	-	3,187,739
Good Credit Standing	2,432,548	127,968	-	1,367	-	2,560,516
Sound Credit Standing	2,222,550	448,141	-	42,711	-	2,670,691
Acceptable Credit Standing	929,405	451,290	-	42,705	-	1,380,695
Marginal Credit Standing	566,049	351,349	-	24,751	-	917,398
Weak Credit Standing	152,320	119,906	-	89	-	272,226
Very Weak Credit Standing	11,962	180,495	-	5,016	-	192,457
Default	-	-	820,310	-	77,800	820,310
Not Rated	79,743	32,055	1,575	16	-	113,373
Total	**13,362,429**	**2,083,355**	**821,885**	**147,901**	**77,800**	**16,267,669**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

In “Not Rated” category are also included retail exposures of subsidiaries for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, general IFRS 9 impairment rules apply, as described in *Note 3 (ix) Identification and measurement of impairment.*

5. FINANCIAL RISK MANAGEMENT (continued)

The tables below present the split of loans and advances to non - retail customers by credit quality. The internal rating grade presented is further explained below within *Note 5*, within the Group's internal credit rating grades tables.

Group
In RON thousand

31 December 2020						
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Out of which POCI stage 2**	**Out of which POCI stage 3**	**Total**
Excellent	12,003	1,507	-	-	-	13,510
Strong	413,175	13,543	174	-	-	426,892
Good	5,156,406	492,165	-	-	-	5,648,571
Satisfactory	4,184,429	1,726,834	-	-	-	5,911,263
Substandard	4,819	169,767	2,530	-	-	177,116
Impaired	324	-	321,591	-	57,866	321,915
Unrated	13,835	28,295	20,029	-	-	62,159
Total	**9,784,991**	**2,432,111**	**344,324**	**-**	**57,866**	**12,561,426**

Group
In RON thousand

31 December 2019						
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Out of which POCI stage 2**	**Out of which POCI stage 3**	**Total**
Excellent	43,434	108	-	-	-	43,542
Strong	861,507	95,099	-	-	-	956,606
Good	4,710,490	630,694	-	-	-	5,341,184
Satisfactory	4,656,749	500,243	-	41,374	-	5,156,992
Substandard	22,033	45,678	-	-	-	67,711
Impaired	-	-	348,307	-	51,597	348,307
Unrated	18,642	5,891	1,802	-	-	26,335
Total	**10,312,855**	**1,277,713**	**350,109**	**41,374**	**51,597**	**11,940,677**

Bank
In RON thousand

31 December 2020						
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Out of which POCI stage 2**	**Out of which POCI stage 3**	**Total**
Excellent	11,832	1,489	-	-	-	13,321
Strong	873,167	7,276	174	-	-	880,617
Good	4,969,803	472,123	-	-	-	5,441,926
Satisfactory	3,954,739	1,645,231	-	-	-	5,599,970
Substandard	3,937	139,859	2,530	-	-	146,326
Impaired	324	-	321,591	-	57,866	321,915
Unrated	3,505	15,969	1,728	-	-	21,202
Total	**9,817,307**	**2,281,947**	**326,023**	**-**	**57,866**	**12,425,277**

Bank
In RON thousand

31 December 2019						
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Out of which POCI stage 2**	**Out of which POCI stage 3**	**Total**
Excellent	43,433	108	-	-	-	43,541
Strong	1,292,542	93,820	-	-	-	1,386,362
Good	4,547,735	619,362	-	-	-	5,167,097
Satisfactory	4,325,441	479,323	-	41,374	-	4,804,764
Substandard	16,707	37,825	-	-	-	54,532
Impaired	-	-	327,667	-	51,597	327,667
Unrated	608	946	1,507	-	-	3,061
Total	**10,226,466**	**1,231,384**	**329,174**	**41,374**	**51,597**	**11,787,024**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in "Stage 2", but remain to be accounted for as POCI as required by IFRS 9.

5. FINANCIAL RISK MANAGEMENT (continued)

At Group level, loans and advances to banks in amount of RON 972,059 thousand (31 December 2019: RON 207,307 thousand), as well as investment securities at fair value through other comprehensive income in amount of RON 3,212,528 thousand (31 December 2019: RON 2,398,161 thousand) and investment securities at amortised cost in amount RON 6,095,709 thousand (31 December 2019: RON 4,952,776 thousand), are all classified in Stage 1.

At Bank level, loans and advances to banks in amount of RON 971,166 thousand (31 December 2019: RON 201,002 thousand), as well as investment securities at fair value through other comprehensive income in amount of RON 3,150,884 thousand (31 December 2019: RON 2,326,371 thousand), and investment securities at amortised cost in amount RON 5,912,605 thousand (31 December 2019: RON 4,674,232 thousand), are all classified in Stage 1.

Loans and advances to banks as of 31 December, 2020 mainly represent term deposits and collateral deposits in correspondent bank accounts and collateral deposits. Nostro accounts are always available to the Group, are not restricted, not overdue or impaired. Bank counterparties are financial institutions presenting strong financial strength.

For corporate entities, small and medium entities, financial institutions, local and central public authorities customers, the Group uses rating scales associated with the financial performance, both for the individually and for the collectively impaired loans and advances. In accordance with the Group's policies and procedures, a rating can be associated for each category of risk, from the lowest risk considered (Rating 1) to defaulted loans category (Rating 10). In the case of private individuals and micro exposures, the credit risk is assessed based on advanced internal model rating approach. The Bank assigns ratings to customers at facility level for private individuals and at customer level for micro. After the calibration process a probability of default is assigned to rating classes associated.

5. FINANCIAL RISK MANAGEMENT (continued)

The tables on the following pages show the maximum on-balance sheet exposure to credit risk by segment. They also show the total fair value of collateral, any surplus of collateral and the net exposure to credit risk.

Group *In RON thousand*	31 December 2020 Maxim exposure to credit risk	Fair value of collateral	Surplus of collateral	Total collateral	Net exposure	Associated ELCs
Non-retail						
Corporate lending	7,087,325	2,111,064	(527,962)	1,583,102	5,504,223	243,053
Project finance	2,040,603	2,028,372	(431,988)	1,596,384	444,219	100,610
Financial institution non-bank	1,070,895	-	-	-	1,070,895	2,216
Small and medium business	1,670,643	645,881	(234,710)	411,171	1,259,472	64,289
Public sector	642,420	-	-	-	642,420	2,597
Sovereign	49,540	-	-	-	49,540	20
Total Non-retail	**12,561,426**	**4,785,317**	**(1,194,660)**	**3,590,657**	**8,970,769**	**412,785**
Retail						
Personal loans	6,796,329	822	(1,345)	(523)	6,796,852	442,034
Mortgage	6,510,501	5,545,204	(972,598)	4,572,606	1,937,895	180,238
Micro	1,646,019	535,674	(244,384)	291,290	1,354,729	87,822
Consumer loan guaranteed with mortgage	1,097,026	1,420,512	(609,545)	810,967	286,059	161,029
Credit card	1,018,941	-	(110)	(110)	1,019,051	22,339
Overdraft	474,347	-	(4,298)	(4,298)	478,645	25,281
Total Retail	**17,543,163**	**7,502,212**	**(1,832,280)**	**5,669,932**	**11,873,231**	**918,743**
Financial assets at fair value through profit or loss	**370,319**	**273,795**	**(63,278)**	**210,517**	**159,802**	**16,168**

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5. FINANCIAL RISK MANAGEMENT (continued)

Group *In RON thousand*	31 December 2019 Maxim exposure to credit risk	Fair value of collateral	Surplus of collateral	Total collateral	Net exposure	Associated ELCs
Non-retail						
Corporate lending	7,237,697	2,068,528	(495,687)	1,572,841	5,664,856	192,441
Project finance	1,850,898	1,587,926	(324,936)	1,262,990	587,908	57,638
Financial institution non-bank	877,811	-	-	-	877,811	1,803
Small and medium business	1,345,303	655,975	(225,786)	430,189	915,114	35,941
Public sector	588,473	-	-	-	588,473	6,236
Sovereign	40,495	-	(7)	(7)	40,502	2
Total Non-retail	**11,940,677**	**4,312,429**	**(1,046,416)**	**3,266,013**	**8,674,664**	**294,061**
Retail						
Personal loans	6,528,980	803	(678)	125	6,528,855	375,412
Mortgage	5,937,144	4,942,956	(892,386)	4,050,570	1,886,574	152,999
Micro	1,537,196	587,159	(261,377)	325,782	1,211,414	80,338
Consumer loan guaranteed with mortgage	1,219,920	1,533,065	(644,156)	888,909	331,011	178,449
Credit card	1,016,285	-	(145)	(145)	1,016,430	23,332
Overdraft	540,978	-	(3,490)	(3,490)	544,468	22,955
Total Retail	**16,780,503**	**7,063,983**	**(1,802,232)**	**5,261,751**	**11,518,752**	**833,485**
Financial assets at fair value through profit or loss	**364,469**	**282,060**	**(60,329)**	**221,731**	**142,738**	**20,844**

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5. FINANCIAL RISK MANAGEMENT (continued)

Bank *In RON thousand*	31 December 2020 Maxim exposure to credit risk	Fair value of collateral	Surplus of collateral	Total collateral	Net exposure	Associated ELCs
Non-retail						
Corporate lending	7,361,291	2,063,044	(527,962)	1,535,082	5,826,209	230,249
Project finance	2,040,603	2,028,372	(431,988)	1,596,384	444,219	100,610
Financial institution non-bank	1,060,565	-	-	-	1,060,565	2,216
Small and medium business	1,270,858	628,032	(234,710)	393,322	877,536	54,837
Public sector	642,420	-	-	-	642,420	2,597
Sovereign	49,540	-	-	-	49,540	20
Total Non-retail	**12,425,277**	**4,719,448**	**(1,194,660)**	**3,524,788**	**8,900,489**	**390,529**
Retail						
Personal loans	6,796,329	822	(1,345)	(523)	6,796,852	442,034
Mortgage	6,462,148	5,404,190	(863,765)	4,540,425	1,921,723	178,230
Micro	1,231,490	535,674	(244,384)	291,290	940,200	65,265
Consumer loan guaranteed with mortgage	1,097,026	1,420,512	(609,545)	810,967	286,059	161,029
Credit card	1,018,941	-	(110)	(110)	1,019,051	22,339
Overdraft	474,347	-	(4,298)	(4,298)	478,645	25,281
Total Retail	**17,080,281**	**7,361,198**	**(1,723,447)**	**5,637,751**	**11,442,530**	**894,178**
Financial assets at fair value through profit or loss	**370,319**	**273,795**	**(63,278)**	**210,517**	**159,802**	**16,168**

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5. FINANCIAL RISK MANAGEMENT (continued)

	31 December 2019					
Bank *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Total collateral**	**Net exposure**	**Associated ELCs**
Non-retail						
Corporate lending	7,318,194	2,019,370	(495,687)	1,523,683	5,794,511	179,559
Project finance	1,850,898	1,587,926	(324,936)	1,262,990	587,908	57,638
Financial institution non-bank	862,557	-	-	-	862,557	1,803
Small and medium business	1,126,407	654,375	(225,786)	428,589	697,818	30,639
Public sector	588,473	-	-	-	588,473	6,236
Sovereign	40,495	-	(7)	(7)	40,502	2
Total Non-retail	**11,787,024**	**4,261,671**	**(1,046,416)**	**3,215,255**	**8,571,769**	**275,877**
Retail						
Personal loans	6,528,980	803	(678)	125	6,528,855	375,412
Mortgage	5,871,926	4,784,755	(729,929)	4,054,826	1,817,100	150,885
Micro	1,089,580	587,159	(261,377)	325,782	763,798	66,369
Consumer loan guaranteed with mortgage	1,219,920	1,533,065	(644,156)	888,909	331,011	178,449
Credit card	1,016,285	-	(145)	(145)	1,016,430	23,332
Overdraft	540,978	-	(3,490)	(3,490)	544,468	22,955
Total Retail	**16,267,669**	**6,905,782**	**(1,639,775)**	**5,266,007**	**11,001,662**	**817,402**
Financial assets at fair value through profit or loss	**364,469**	**282,060**	**(60,329)**	**221,731**	**142,738**	**20,844**

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5. FINANCIAL RISK MANAGEMENT (continued)

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets:

Group *In RON thousand*	31 December 2020 Maxim exposure to credit risk	Fair value of collateral	Surplus of collateral	Total collateral	Net exposure	Associated ELCs
Non-retail						
Corporate lending	210,907	43,757	(5,607)	38,150	172,757	133,349
Project finance	68,193	10,916	-	10,916	57,277	47,861
Financial institution non-bank	1,520	-	-	-	1,520	1,517
Small and medium business	63,704	19,699	(4,323)	15,376	48,328	41,277
Public sector	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-
Total Non-retail	**344,324**	**74,372**	**(9,930)**	**64,442**	**279,882**	**224,004**
Retail						
Personal loans	376,729	246	(238)	8	376,721	316,185
Mortgage	136,476	108,270	(21,472)	86,798	49,678	85,484
Micro	98,707	35,846	(21,009)	14,837	83,870	57,353
Consumer loan guaranteed with mortgage	196,506	190,732	(64,086)	126,646	69,860	133,889
Credit card	23,628	-	-	-	23,628	14,698
Overdraft	8,871	-	(4,298)	(4,298)	13,169	11,215
Total Retail	**840,917**	**335,094**	**(111,103)**	**223,991**	**616,926**	**618,824**

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the consolidated and separate financial statements is provided as a free translation from Romanian which is the official and binding version.

5. FINANCIAL RISK MANAGEMENT (continued)

	31 December 2019					
Group *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Total collateral**	**Net exposure**	**Associated ELCs**
Non-retail						
Corporate lending	234,223	46,077	(3,261)	42,816	191,407	154,555
Project finance	68,640	9,815	-	9,815	58,825	48,948
Financial institution non-bank	1,490	-	-	-	1,490	1,489
Small and medium business	45,756	9,301	(2,233)	7,068	38,688	30,307
Public sector	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-
Total Non-retail	**350,109**	**65,193**	**(5,494)**	**59,699**	**290,410**	**235,299**
Retail						
Personal loans	336,436	236	(226)	10	336,426	255,792
Mortgage	153,943	117,448	(22,313)	95,135	58,808	90,854
Micro	107,900	42,638	(21,611)	21,027	86,873	66,194
Consumer loan guaranteed with mortgage	227,662	214,169	(69,822)	144,347	83,315	140,335
Credit card	23,496	-	-	-	23,496	15,691
Overdraft	8,322	-	(3,490)	(3,490)	11,812	10,113
Total Retail	**857,759**	**374,491**	**(117,462)**	**257,029**	**600,730**	**578,979**

5. FINANCIAL RISK MANAGEMENT (continued)

Bank *In RON thousand*	31 December 2020					
	Maxim exposure to credit risk	**Fair value of collateral**	**Surplus of collateral**	**Total collateral**	**Net exposure**	**Associated ELCs**
Non-retail						
Corporate lending	202,953	43,757	(5,607)	38,150	164,803	119,347
Project finance	68,193	10,916	-	10,916	57,277	47,861
Financial institution non-bank	1,520	-	-	-	1,520	1,517
Small and medium business	53,357	19,699	(4,323)	15,376	37,981	33,384
Public sector	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-
Total Non-retail	**326,023**	**74,372**	**(9,930)**	**64,442**	**261,581**	**202,109**
Retail						
Personal loans	376,729	246	(238)	8	376,721	316,185
Mortgage	134,921	108,270	(21,472)	86,798	48,123	83,889
Micro	69,056	35,846	(21,009)	14,837	54,219	57,353
Consumer loan guaranteed with mortgage	196,506	190,732	(64,086)	126,646	69,860	118,027
Credit card	23,628	-	-	-	23,628	14,698
Overdraft	8,871	-	(4,298)	(4,298)	13,169	11,215
Total Retail	**809,711**	**335,094**	**(111,103)**	**223,991**	**585,720**	**601,367**

5. FINANCIAL RISK MANAGEMENT (continued)

Bank *In RON thousand*	31 December 2019 Maxim exposure to credit risk	Fair value of collateral	Surplus of collateral	Total collateral	Net exposure	Associated ELCs
Non-retail						
Corporate lending	222,565	46,077	(3,261)	42,816	179,749	142,921
Project finance	68,640	9,815	-	9,815	58,825	48,948
Financial institution non-bank	1,490	-	-	-	1,490	1,489
Small and medium business	36,479	9,301	(2,233)	7,068	29,411	25,673
Public sector	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-
Total Non-retail	**329,174**	**65,193**	**(5,494)**	**59,699**	**269,475**	**219,031**
Retail						
Personal loans	336,436	236	(226)	10	336,426	255,792
Mortgage	151,711	112,580	(18,960)	93,620	58,091	89,259
Micro	74,258	42,638	(21,611)	21,027	53,231	55,060
Consumer loan guaranteed with mortgage	227,662	214,169	(69,822)	144,347	83,315	140,335
Credit card	23,496	-	-	-	23,496	15,691
Overdraft	8,322	-	(3,490)	(3,490)	11,812	10,113
Total Retail	**821,885**	**369,623**	**(114,109)**	**255,514**	**566,371**	**566,250**

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5. FINANCIAL RISK MANAGEMENT (continued)

The tables on the following pages show the maximum off-balance sheet exposure to credit risk by segment. They also show the total fair value of collateral, any surplus collateral, and the net exposure to credit risk:

	31 December 2020					
Group *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Total collateral**	**Net exposure**	**Associated provision**
Non-retail						
Financial guarantees given	2,746,123	220,363	(67,839)	152,524	2,593,599	46,995
Loan commitments given	7,717,110	111,613	(10,260)	101,353	7,615,757	39,613
Total Non-retail	**10,463,233**	**331,976**	**(78,099)**	**253,877**	**10,209,356**	**86,608**
Retail						
Financial guarantees given	20,202	11,326	(3,409)	7,917	12,285	125
Loan commitments given	3,440,021	20,553	(8,555)	11,998	3,428,023	15,788
Total Retail	**3,460,223**	**31,879**	**(11,964)**	**19,915**	**3,440,308**	**15,913**

	31 December 2019					
Group *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Total collateral**	**Net exposure**	**Associated provision**
Non-retail						
Financial guarantees given	2,302,477	208,040	(63,044)	144,996	2,157,481	39,232
Loan commitments given	7,375,540	227,012	(35,107)	191,905	7,183,635	23,658
Total Non-retail	**9,678,017**	**435,052**	**(98,151)**	**336,901**	**9,341,116**	**62,890**
Retail						
Financial guarantees given	22,756	13,670	(4,624)	9,046	13,710	30
Loan commitments given	3,130,960	18,966	(5,862)	13,104	3,117,856	14,176
Total Retail	**3,153,716**	**32,636**	**(10,486)**	**22,150**	**3,131,566**	**14,206**

Where the case, collateral values are allocated proportionally between on and off-balance sheet exposures.

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5. FINANCIAL RISK MANAGEMENT (continued)

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets:

	31 December 2020					
Group *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Total collateral**	**Net exposure**	**Associated provision**
Non-retail						
Financial guarantees given	108,267	7,179	(288)	6,891	101,376	41,937
Loan commitments given	24,145	1,037	-	1,037	23,108	7,418
Total Non-retail	**132,412**	**8,216**	**(288)**	**7,928**	**124,484**	**49,355**
Retail						
Financial guarantees given	142	279	(138)	141	1	105
Loan commitments given	12,948	-	(182)	(182)	13,130	9,317
Total Retail	**13,090**	**279**	**(320)**	**(41)**	**13,131**	**9,422**

	31 December 2019					
Group *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Total collateral**	**Net exposure**	**Associated provision**
Non-retail						
Financial guarantees given	102,020	6,256	(288)	5,968	96,052	38,613
Loan commitments given	61,793	1,399	0	1,399	60394	8131
Total Non-retail	**163,813**	**7,655**	**(288)**	**7,367**	**156,446**	**46,744**
Retail						
Loan commitments given	10,075	0	(166)	(166)	10,241	7,933
Total Retail	**10,075**	**0**	**(166)**	**(166)**	**10,241**	**7,933**

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5. FINANCIAL RISK MANAGEMENT (continued)

The tables on the following pages show the maximum off-balance sheet exposure to credit risk by segment. They also show the total fair value of collateral, any surplus collateral, and the net exposure to credit risk:

	31 December 2020					
Bank *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Total collateral**	**Net exposure**	**Associated provision**
Non-retail						
Financial guarantees given	2,746,123	220,363	(67,839)	152,524	2,593,599	46,995
Loan commitments given	7,681,422	111,613	(10,260)	101,353	7,580,069	39,613
Total Non-retail	**10,427,545**	**331,976**	**(78,099)**	**253,877**	**10,173,668**	**86,608**
Retail						
Financial guarantees given	20,202	11,326	(3,409)	7,917	12,285	125
Loan commitments given	3,429,963	20,553	(8,555)	11,998	3,417,965	15,788
Total Retail	**3,450,165**	**31,879**	**(11,964)**	**19,915**	**3,430,250**	**15,913**

	31 December 2019					
Bank *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Total collateral**	**Net exposure**	**Associated provision**
Non-retail						
Financial guarantees given	2,298,477	208,040	(63,044)	144,996	2,153,481	39,232
Loan commitments given	7,316,776	227,012	(35,107)	191,905	7,124,871	23,658
Total Non-retail	**9,615,253**	**435,052**	**(98,151)**	**336,901**	**9,278,352**	**62,890**
Retail						
Financial guarantees given	22,756	13,670	(4,624)	9,046	13,710	30
Loan commitments given	3,116,010	18,966	(5,862)	13,104	3,102,906	14,176
Total Retail	**3,138,766**	**32,636**	**(10,486)**	**22,150**	**3,116,616**	**14,206**

5. FINANCIAL RISK MANAGEMENT (continued)

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets:

	31 December 2020					
Bank *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Total collateral**	**Net exposure**	**Associated provision**
Non-retail						
Financial guarantees given	108,267	7,179	(288)	6,891	101,376	41,937
Loan commitments given	23,584	1,037	-	1,037	22,547	7,418
Total Non-retail	**131,851**	**8,216**	**(288)**	**7,928**	**123,923**	**49,355**
Retail						
Financial guarantees given	142	279	(138)	141	1	105
Loan commitments given	12,948	-	(182)	(182)	13,130	9,317
Total Retail	**13,090**	**279**	**(320)**	**(41)**	**13,131**	**9,422**

	31 December 2019					
Bank *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Total collateral**	**Net exposure**	**Associated provision**
Non-retail						
Financial guarantees given	102,020	6,256	(288)	5,968	96,052	38,613
Loan commitments given	60,968	1,399	-	1,399	59,569	8,131
Total Non-retail	**162,988**	**7,655**	**(288)**	**7,367**	**155,621**	**46,744**
Retail						
Loan commitments given	10,075	-	(166)	(166)	10,241	7,933
Total Retail	**10,075**	**-**	**(166)**	**(166)**	**10,241**	**7,933**

The Group holds collateral against loans and advances to customers in the form of pledge over cash deposits, mortgage interests over property, guarantees and other pledge over equipments and/or receivable. The value of the mortgage collaterals executed by the Group as a result of the enforcement at December 31, 2020 was RON 29,867 thousand (December 31, 2019: RON 67,328 thousand).

5. FINANCIAL RISK MANAGEMENT (continued)

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

Past due status

For loans and securities, where contractual interest or principal payments are past due the Group believes that impairment is not appropriate due to the fact that there are no objective evidence for impairment or there are objective evidence of impairment but there is no identified loss at the level of these customers.

Loans and advances to customers past due of December 31, 2020 were as follows:

Group	**Stage 1**			**Stage 2**			**Stage 3**		
In RON thousands	**<=30 days**	**31-90 days**	**>90 days**	**<=30 days**	**31-90 days**	**>90 days**	**<=30 days**	**31-90 days**	**>90 days**
Retail customers	437,109	-	-	339,711	58,559	-	32,235	38,527	141,617
Non-retail customers	252,599	-	-	95,517	- 1,935	-	8,292	(6,015)	7,614
Total	**689,708**	**-**	**-**	**435,228**	**56,624**	**-**	**40,527**	**32,512**	**149,231**

Bank	**Stage1**			**Stage 2**			**Stage 3**		
In RON thousands	**<=30 days**	**31-90 days**	**>90 days**	**<=30 days**	**31-90 days**	**>90 days**	**<=30 days**	**31-90 days**	**>90 days**
Retail customers	434,688	-	-	339,428	58,437	-	31,594	38,520	141,162
Non-retail customers	246,884	-	-	94,208	(4,477)	-	(237)	(7,019)	1,677
Total	**681,572**	**-**	**-**	**433,636**	**53,960**	**-**	**31,357**	**31,501**	**142,839**

Loans and advances to customers past due of December 31, 2019 were as follows:

Group	**Stage 1**			**Stage 2**			**Stage 3**		
In RON thousands	**<=30 days**	**31-90 days**	**>90 days**	**<=30 days**	**31-90 days**	**>90 days**	**<=30 days**	**31-90 days**	**>90 days**
Retail customers	619,428	-	-	400,172	98,306	-	38,195	50,456	131,753
Non-retail customers	413,778	-	-	73,075	2,932	-	10,445	2,025	30,489
Total	**1,033,206**	**-**	**-**	**473,247**	**101,238**	**-**	**48,640**	**52,481**	**162,242**

Bank	**Stage1**			**Stage 2**			**Stage 3**		
In RON thousands	**<=30 days**	**31-90 days**	**>90 days**	**<=30 days**	**31-90 days**	**>90 days**	**<=30 days**	**31-90 days**	**>90 days**
Retail customers	617,368	-	-	400,082	98,184	-	37,993	50,296	131,447
Non-retail customers	352,322	-	-	69,625	519	-	(169)	-	16,285
Total	**969,690**	**-**	**-**	**469,707**	**98,703**	**-**	**37,824**	**50,296**	**147,732**

5. FINANCIAL RISK MANAGEMENT (continued)

The tables below presents the portfolio of loans to non-retail customers at amortised cost split on industries:

Group
In RON thousand

Non retail	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	of which POCI stage 2	of which POCI stage 3	Total
			31 December 2020			
A. Agriculture, forestry and fishing	670,608	99,331	12,978	-	3,052	782,917
B. Mining and quarrying	39,017	2,538	446	-	-	42,001
C. Manufacturing	1,725,992	307,624	87,556	-	6,885	2,121,172
D. Electricity, gas, steam and air conditioning supply	47,948	41,673	6,189	-	-	95,810
E. Water supply	142,034	5,213	28	-	-	147,275
F. Construction	662,079	347,181	55,395	-	7,209	1,064,655
G. Wholesale and retail trade	2,830,866	424,525	53,586	-	7,893	3,308,977
H. Transport and storage services	722,338	288,876	16,794	-	2,102	1,028,008
I. Accommodation and restaurant services	25,426	306,362	1,319	-	-	333,107
J. Information and communications	93,936	2,570	35,087	-	30,725	131,593
K. Financial and insurance activities	560,527	6,835	3	-	-	567,365
L. Real estate activities	1,051,131	273,770	62,856	-	-	1,387,757
M. Professional, scientific and technical activities	82,434	208,796	1,230	-	-	292,460
N. Administrative and support service activities	105,406	41,828	2,317	-	-	149,551
O. Public administration and defense, compulsory social security	616,930	32,014	-	-	-	648,944
P. Education	45,917	229	2	-	-	46,148
Q. Human health services and social work activities	361,982	21,345	3,110	-	-	386,437
R. Arts, entertainment and recreation	5,332	2,607	2,319	-	-	10,258
S. Other services	(4,912)	18,794	3,109	-	-	16,991
TOTAL	**9,784,991**	**2,432,111**	**344,324**	**-**	**57,866**	**12,561,426**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

5. FINANCIAL RISK MANAGEMENT (continued)

Group
In RON thousand

Non retail	31 December 2019 Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	of which POCI stage 2	of which POCI stage 3	Total
A. Agriculture, forestry and fishing	631,586	30,203	11,281	-	2,732	673,070
B. Mining and quarrying	45,689	423	341	-	-	46,453
C. Manufacturing	1,975,898	83,062	84,834	-	5,000	2,143,794
D. Electricity, gas, steam and air conditioning supply	168,270	14,878	6,445	-	-	189,593
E. Water supply	75,667	17,498	14	-	-	93,179
F. Construction	741,727	160,820	52,444	-	533	954,991
G. Wholesale and retail trade	2,952,550	184,824	66,142	-	9,909	3,203,516
H. Transport and storage services	1,038,040	63,719	9,460	-	2,697	1,111,219
I. Accommodation and restaurant services	359,361	45,237	316	41,374	-	404,914
J. Information and communications	180,511	2,385	41,536	-	30,726	224,432
K. Financial and insurance activities	261,188	90,166	3	-	-	351,357
L. Real estate activities	1,081,168	2,764	65,817	-	-	1,149,749
M. Professional, scientific and technical activities	207,755	5,843	2,379	-	-	215,977
N. Administrative and support service activities	138,814	4,800	1,024	-	-	144,638
O. Public administration and defense, compulsory social security	42,690	541,508	-	-	-	584,198
P. Education	46,994	-	1	-	-	46,995
Q. Human health services and social work activities	340,710	9,294	3,043	-	-	353,047
R. Arts, entertainment and recreation	4,837	947	2,342	-	-	8,126
S. Other services	19,400	19,342	2,687	-	-	41,429
TOTAL	**10,312,855**	**1,277,713**	**350,109**	**41,374**	**51,597**	**11,940,677**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

5. FINANCIAL RISK MANAGEMENT (continued)

The tables below presents the portfolio of loans to non-retail customers at amortised cost split on industries:

Bank
In RON thousand

	31 December 2020					
Non retail	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
A. Agriculture, forestry and fishing	659,697	94,997	12,905	-	3,052	767,599
B. Mining and quarrying	33,160	1,717	232	-	-	35,109
C. Manufacturing	1,653,048	286,995	81,391	-	6,885	2,021,434
D. Electricity, gas, steam and air conditioning supply	47,619	41,673	6,189	-	-	95,481
E. Water supply	117,992	1,718	28	-	-	119,738
F. Construction	610,722	336,172	54,838	-	7,209	1,001,732
G. Wholesale and retail trade	2,710,417	400,634	51,052	-	7,893	3,162,103
H. Transport and storage services	595,685	247,560	13,169	-	2,102	856,414
I. Accommodation and restaurant services	24,274	277,724	1,319	-	-	303,317
J. Information and communications	86,350	2,539	33,943	-	30,725	122,832
K. Financial and insurance activities	1,037,723	6,835	3	-	-	1,044,561
L. Real estate activities	1,049,832	273,191	62,037	-	-	1,385,060
M. Professional, scientific and technical activities	79,937	201,784	1,230	-	-	282,951
N. Administrative and support service activities	102,204	37,322	2,256	-	-	141,782
O. Public administration and defense, compulsory social security	616,905	31,576	-	-	-	648,481
P. Education	45,833	229	2	-	-	46,064
Q. Human health services and social work activities	348,657	19,590	1	-	-	368,248
R. Arts, entertainment and recreation	4,857	1,022	2,319	-	-	8,198
S. Other services	(7,605)	18,669	3,109	-	-	14,173
TOTAL	**9,817,307**	**2,281,947**	**326,023**	**-**	**57,866**	**12,425,277**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

5. FINANCIAL RISK MANAGEMENT (continued)

Bank
In RON thousand

	31 December 2019					
Non retail	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
A. Agriculture, forestry and fishing	616,563	27,797	10,999	-	2,732	655,359
B. Mining and quarrying	42,519	345	20	-	-	42,884
C. Manufacturing	1,890,542	74,909	79,953	-	5,000	2,045,404
D. Electricity, gas, steam and air conditioning supply	168,270	14,878	6,445	-	-	189,593
E. Water supply	52,039	16,662	14	-	-	68,715
F. Construction	695,711	156,218	51,680	-	533	903,609
G. Wholesale and retail trade	2,791,046	175,665	63,960	-	9,909	3,030,671
H. Transport and storage services	885,190	46,876	5,132	-	2,697	937,198
I. Accommodation and restaurant services	328,346	44,836	316	41,374	-	373,498
J. Information and communications	174,647	2,059	40,400	-	30,726	217,106
K. Financial and insurance activities	741,344	90,166	3	-	-	831,513
L. Real estate activities	1,080,359	1,572	62,225	-	-	1,144,156
M. Professional, scientific and technical activities	193,472	5,056	2,379	-	-	200,907
N. Administrative and support service activities	130,821	4,242	913	-	-	135,976
O. Public administration and defense, compulsory social security	42,005	541,508	-	-	-	583,513
P. Education	46,890	-	1	-	-	46,891
Q. Human health services and social work activities	324,963	9,198	-	-	-	334,161
R. Arts, entertainment and recreation	2,917	54	2,342	-	-	5,313
S. Other services	18,822	19,343	2,392	-	-	40,557
TOTAL	**10,226,466**	**1,231,384**	**329,174**	**41,374**	**51,597**	**11,787,024**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

5. FINANCIAL RISK MANAGEMENT (continued)

The tables below presents the portfolio of loans to retail customers at amortised cost split on industries:

Group

In RON thousand

	31 December 2020					
Retail	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
A. Agriculture, forestry and fishing	177,596	52,063	8,490	-	164	238,149
B. Mining and quarrying	3,431	1	182	-	-	3,614
C. Manufacturing	142,003	13,805	10,053	-	204	165,861
D. Electricity, gas, steam and air conditioning supply	178	589	26	-	-	793
E. Water supply	12,004	572	1,577	-	2	14,153
F. Construction	145,434	13,149	11,795	6	137	170,378
G. Wholesale and retail trade	374,419	23,937	27,670	127	806	426,026
H. Transport and storage services	229,276	31,183	26,475	-	155	286,934
I. Accommodation and restaurant services	40,954	5,678	1,928	-	2	48,560
J. Information and communications	35,355	2,086	1,835	-	59	39,276
K. Financial and insurance activities	521	95	99	-	-	715
L. Real estate activities	10,513	606	632	-	-	11,751
M. Professional, scientific and technical activities	87,868	14,594	3,565	-	19	106,027
N. Administrative and support service activities	44,167	4,217	2,621	-	18	51,005
O. Public administration and defense, compulsory social security	763	-	17	-	-	780
P. Education	6,636	1,035	74	-	-	7,745
Q. Human health services and social work activities	30,109	7,416	668	-	5	38,193
R. Arts, entertainment and recreation	8,172	2,256	334	-	-	10,762
S. Other services	14,800	2,441	635	-	58	17,876
Private individuals	13,085,940	2,076,384	742,241	142,499	65,933	15,904,565
TOTAL	**14,450,139**	**2,252,107**	**840,917**	**142,632**	**67,562**	**17,543,163**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

5. FINANCIAL RISK MANAGEMENT (continued)

Group
In RON thousand

	31 December 2019					
Retail	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
A. Agriculture, forestry and fishing	169,788	32,986	7,098	-	84	209,872
B. Mining and quarrying	1,789	865	172	-	-	2,826
C. Manufacturing	131,724	14,715	13,824	-	15	160,263
D. Electricity, gas, steam and air conditioning supply	186	215	22	-	-	423
E. Water supply	11,489	1,557	1,606	-	4	14,652
F. Construction	119,064	14,638	12,640	-	85	146,342
G. Wholesale and retail trade	321,187	36,192	29,059	35	1,300	386,438
H. Transport and storage services	261,886	20,978	29,850	-	100	312,714
I. Accommodation and restaurant services	36,028	2,823	2,396	-	-	41,247
J. Information and communications	25,085	2,093	1,483	-	-	28,661
K. Financial and insurance activities	696	12	83	-	-	791
L. Real estate activities	11,596	197	765	-	-	12,558
M. Professional, scientific and technical activities	79,162	9,612	3,844	-	140	92,618
N. Administrative and support service activities	42,335	2,588	2,913	-	19	47,836
O. Public administration and defense, compulsory social security	981	-	-	-	-	981
P. Education	4,904	1,150	72	-	-	6,126
Q. Human health services and social work activities	31,599	5,483	728	-	-	37,810
R. Arts, entertainment and recreation	8,124	1,312	413	-	-	9,849
S. Other services	14,936	2,589	897	-	-	18,422
Private individuals	12,563,309	1,936,871	749,894	147,866	76,053	15,250,074
TOTAL	**13,835,868**	**2,086,876**	**857,759**	**147,901**	**77,800**	**16,780,503**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

5. FINANCIAL RISK MANAGEMENT (continued)

The table below presents the portfolio of loans to retail customers at amortised cost split on industries:

Bank
In RON thousand

Retail	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	of which POCI stage 2	of which POCI stage 3	Total
			31 December 2020			
A. Agriculture, forestry and fishing	147,717	49,316	5,199	-	164	202,232
B. Mining and quarrying	1,442	1	94	-	-	1,537
C. Manufacturing	114,692	10,436	8,560	-	204	133,688
D. Electricity, gas, steam and air conditioning supply	178	589	26	-	-	793
E. Water supply	7,687	530	1,479	-	2	9,696
F. Construction	105,980	12,444	9,452	6	137	127,876
G. Wholesale and retail trade	314,272	21,466	24,689	127	806	360,427
H. Transport and storage services	120,751	9,432	9,324	-	155	139,507
I. Accommodation and restaurant services	35,872	3,967	1,630	-	2	41,469
J. Information and communications	26,264	1,860	1,666	-	59	29,790
K. Financial and insurance activities	113	9	99	-	-	221
L. Real estate activities	6,888	75	192	-	-	7,155
M. Professional, scientific and technical activities	63,858	11,183	3,011	-	19	78,052
N. Administrative and support service activities	33,462	3,884	2,144	-	18	39,490
O. Public administration and defense, compulsory social security	743	-	17	-	-	760
P. Education	5,779	993	70	-	-	6,842
Q. Human health services and social work activities	21,829	6,232	519	-	5	28,580
R. Arts, entertainment and recreation	6,796	1,760	328	-	-	8,884
S. Other services	11,589	2,345	555	-	58	14,489
Private individuals	13,032,572	2,075,564	740,657	142,499	65,933	15,848,793
TOTAL	**14,058,484**	**2,212,086**	**809,711**	**142,632**	**67,562**	**17,080,281**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in "Stage 2", but remain to be accounted for as POCI as required by IFRS 9.

5. FINANCIAL RISK MANAGEMENT (continued)

Bank
In RON thousand

	31 December 2019					
Retail	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
A. Agriculture, forestry and fishing	132,928	32,783	4,751	-	84	170,462
B. Mining and quarrying	749	865	81	-	-	1,695
C. Manufacturing	101,236	14,715	11,462	-	15	127,413
D. Electricity, gas, steam and air conditioning supply	186	215	22	-	-	423
E. Water supply	7,096	1,557	1,309	-	4	9,962
F. Construction	80,938	14,032	9,494	-	85	104,464
G. Wholesale and retail trade	254,313	36,167	26,153	35	1,300	316,633
H. Transport and storage services	111,834	19,577	9,988	-	100	141,399
I. Accommodation and restaurant services	27,554	2,787	1,870	-	-	32,211
J. Information and communications	18,000	1,988	1,336	-	-	21,324
K. Financial and insurance activities	34	12	83	-	-	129
L. Real estate activities	7,713	197	198	-	-	8,108
M. Professional, scientific and technical activities	52,082	9,612	2,878	-	140	64,572
N. Administrative and support service activities	28,204	2,505	2,660	-	19	33,369
O. Public administration and defense, compulsory social security	946	-	-	-	-	946
P. Education	3,811	1,150	60	-	-	5,021
Q. Human health services and social work activities	21,725	5,483	664	-	-	27,872
R. Arts, entertainment and recreation	5,568	1,312	407	-	-	7,287
S. Other services	12,860	2,589	841	-	-	16,290
Private individuals	12,494,652	1,935,809	747,628	147,866	76,053	15,178,089
TOTAL	**13,362,429**	**2,083,355**	**821,885**	**147,901**	**77,800**	**16,267,669**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

5. FINANCIAL RISK MANAGEMENT (continued)

ECL Scenario

The table shows the Group Research values of the key forward looking economic variables/assumptions used in each of the economic scenarios, as of December 31, 2020 and December 31, 2019. These variables are the most significant variables used in ECL calculation.

31 December 2020 Key drivers	**ECL Scenario**	**Assigned Probabilities**	**2021**	**2022**	**2023**
		%	%	%	%
GDP growth %					
	Baseline	50	4.2	4.0	3.5
	Upside	25	6.8	5.9	4.8
	Downside	25	0.6	1.3	1.7
EUR/RON					
	Baseline	50	4.97	5.05	5.12
	Upside	25	4.52	4.71	4.89
	Downside	25	5.36	5.34	5.31
ROBOR 3M					
	Baseline	50	1.80	2.20	3.00
	Upside	25	0.85	1.48	2.52
	Downside	25	3.66	3.59	3.93
Unemployment					
	Baseline	50	5.9	5.6	5.0
	Upside	25	5.0	5.0	4.6
	Downside	25	7.7	6.9	5.9

31 December 2019 Key drivers	**ECL Scenario**	**Assigned Probabilities**	**2020**	**2021**	**2022**
		%	%	%	%
Retail					
GDP growth %					
	Baseline	50	2.30	-0.03	1.14
	Upside	25	4.24	2.99	3.74
	Downside	25	0.12	-1.96	-0.38
EUR/RON					
	Baseline	50	4.87	4.94	4.86
	Upside	25	4.56	4.57	4.55
	Downside	25	5.21	5.34	5.16
ROBOR 3M					
	Baseline	50	3.91	4.08	4.08
	Upside	25	0.91	0.47	0.86
	Downside	25	4.73	5.05	4.68
Unemployment					
	Baseline	50	4.25	5.00	5.40
	Upside	25	3.65	4.29	4.79
	Downside	25	5.44	6.43	6.57
Non-retail					
GDP growth %					
	Baseline	50	2.30	-0.03	1.14
	Upside	25	4.24	2.99	3.74
	Downside	25	0.12	-1.96	-0.38

The Group's internal credit rating grades

The tables below show the internal credit rating grade by type of customers:

Retail: Private Individuals, MICRO		
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**
Performing		
0	Not Rated	
0.5	Minimal Risk	[0.00%-0.17%]
1	Excellent Credit Standing	[0.17% - 0.35%)
1.5	Very Good Credit Standing	[0.35% - 0.69%)
2	Good Credit Standing	[0.69% - 1.37%)
2.5	Sound Credit Standing	[1.37% - 2.7%)
3	Acceptable Credit Standing	[2.7% - 5.26%)
3.5	Marginal Credit Standing	[5.26% - 10%)
4	Weak Credit Standing	[10% - 18.18%)
4.5	Very Weak Credit Standing	[18.18% - 100%)
Non- performing		
5	Default	100%

In "Not Rated" category are also included retail exposures of subsidiaries for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, general IFRS 9 impairment rules apply, as described in *Note 3 (ix) Identification and measurement of impairment*.

5. FINANCIAL RISK MANAGEMENT (continued)

Non-retail: Corporate, Small and medium business and Financial institution			
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**	**Internal rating grade mapping**
Performing			
1A, 1B, 1C	Minimal Risk	[0.00%-0.03%)	Excellent
2A, 2B, 2C	Excellent Credit Standing	[0.03% - 0.07%)	Strong
3A, 3B, 3C	Very Good Credit Standing	[0.09% - 0.16%)	
4A, 4B, 4C	Good Credit Standing	[0.22% - 0.41%)	Good
5A, 5B, 5C	Sound Credit Standing	[0.55% - 1.01%)	
6A, 6B, 6C	Acceptable Credit Standing	[1.37% - 2.52%)	Satisfactory
7A, 7B, 7C	Marginal Credit Standing	[3.41% - 6.27%)	
8A, 8B, 8C	Weak Credit Standing	[8.53% - 15.71%)	Substandard
9A, 9B, 9C	Very Weak Credit Standing	[21.33% - 100%)	
Non- performing			
10	Default	100%	Impaired

Non-retail: Project Finance			
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**	**Internal rating grade mapping**
Performing			
6.1	Excellent project risk profile - very low risk	[0.00%-0.75%)	Good
6.2	Good project risk profile - low risk	[1.37% - 4.63%)	Satisfactory
6.3	Acceptable risk profile - average risk	[6.27% - 15.71%)	
6.4	Poor project risk profile - high risk	[21.33% - 100%)	Substandard
Non- performing			
6.5	Default	100%	Impaired

Non-retail: Insurance 31 December 2020			
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**	**Internal rating grade mapping**
Performing			
0.5	Minimal Risk	[0.00% - 0.03%)	Excellent
1	Excellent Credit Standing	[0.03% - 0.04%)	Strong
1.5	Very Good Credit Standing	[0.03% - 0.04%)	
2	Good Credit Standing	[0.04% - 0.07%)	
2.5	Sound Credit Standing	[0.09% - 0.12%)	
3	Acceptable Credit Standing	[0.16% - 1.01%)	
3.5	Marginal Credit Standing	[1.37% - 1.89%)	Satisfactory
4	Weak Credit Standing	[2.52% - 6.27%)	
4.5	Very Weak Credit Standing	[8.53% - 100%)	Substandard
Non- performing			
5	Default	100%	Impaired

5. FINANCIAL RISK MANAGEMENT (continued)

Non-retail: Sovereign			
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**	**Internal rating grade mapping**
Performing			
A1	Excellent Credit Standing	[0.00% - 0.0002%)	Excellent
A2	Very Good Credit Standing	[0.0002% - 0.008%)	Excellent
A3	Good Credit Standing	[0.008% - 0.03%)	Excellent
B1	Sound Credit Standing	[0.008% - 0.03%)	Excellent
B2	Acceptable Credit Standing	[0.03% - 0.1%)	Strong
B3	Marginal Credit Standing	[0.1% - 0.6%)	Strong
B4	Weak Credit Standing	[0.6% - 1.87%)	Good
B5	Very Weak Credit Standing	[2.53% - 8.53%)	Satisfactory
C	Doubtful/high default risk	[11.5% - 100%)	Substandard
Non- performing			
D	Default	100%	Impaired

Non-retail - Collective Investment Undertakings			
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**	**Internal rating grade mapping**
Performing			
C1	Excellent Credit Standing	[0.00% - 0.05%)	Strong
C2	Very strong Credit Standing	[0.00% - 0.05%)	Strong
C3	Strong Credit Standing	[0.00% - 0.05%)	Strong
C4	Good Credit Standing	[0.00% - 0.05%)	Strong
C5	Quite good Credit Standing	[0.05% - 0.16%)	Strong
C6	Satisfactory Credit Standing	[0.05% - 0.16%)	Strong
C7	Adequate Credit Standing	[0.22% - 2.53%)	Good
C8	Highly questionable Credit Standing	[3.41% - 11.5%)	Satisfactory
C9	Doubtful/high default risk	[15.71% - 100%)	Substandard
Non- performing			
CD	Insolvency, loss	100%	Impaired

Non-retail - Local and Regional Government			
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**	**Internal rating grade mapping**
Performing			
A1	Excellent Credit Standing	[0.00% - 0.03%)	Excellent
A2	Very Good Credit Standing	[0.09% - 0.13%)	Strong
A3	Good Credit Standing	[0.22% - 0.22%)	Good
B1	Sound Credit Standing	[0.29% - 0.41%)	Good
B2	Acceptable Credit Standing	[0.55% - 0.75%)	Good
B3	Marginal Credit Standing	[1.00% - 1.37%)	Good
B4	Weak Credit Standing	[1.87% - 3.41%)	Satisfactory
B5	Very Weak Credit Standing	[4.63% - 15.71%)	Satisfactory
C	Doubtful/high default risk	[21.33% - 100%)	Substandard
Non- performing			
D	Default	100%	Impaired

5. FINANCIAL RISK MANAGEMENT (continued)

Non-performing not defaulted exposure (NPE not defaulted)
Regulation for forborne and non-performing exposures

The regulation for forbearance pursuant to EBA/ITS/2013/03/rev1 from 24th of July 2014 and updated in 10th of March 2015 was implemented at Group level.
For reporting purposes, according to EBA ITS, non-performing exposures are considered those that satisfy at least one of the following conditions:

a) The exposure was classified as default/Stage 3 according to IFRS 9;
b) Performing restructured exposure that was reclassified from non-performing exposure and for which the restructuring measures have been extended during the monitoring time frame;
c) Performing restructured exposure that was reclassified from non-performing exposure and for which number of days past due reached more than 30 days during the monitoring time frame.

Forbearance refers to concessions made to the borrower by the lender, for economic or contractual reasons, when the borrower is experiencing financing difficulties, but which the lender would not otherwise grant.

Non-retail

For non-retail clients, when terms or loan conditions are modified in favour of the customer, the Group differentiates between normal renegotiation and forborne loans according to the definition of the EBA document "Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures)". According to EBA definition, non-performing exposure includes exposure without any reason for default according to Article 178 CRR, but has been reclassified from non-performing status and subsequently, during the probationary period as performing restructured, restructuring measures have been extended or 30 days of overdue payment were recorded.

Loans are defined as forborne if the debtor is assessed to have financial difficulties and the modification is assessed as concession. For non-retail customers, financial difficulties are measured by means of an internal early warning system and assessed by financial and risk analysts. Such loans are rated 7 or below 7 in the internal rating scale, which means that such loans have marginal credit standing or worse.

IFRS 9 requires that impairment losses for Stage 1, 2 and 3 must be derived from an expected loss event. Pursuant to article 178 CRR default continues to be main indicator for Stage 3.

Retail

For retail customers, the restructured loans are subject to probation period for one year in terms of non-performing status extended to the period until the exit criteria is met.

In the case of a non-performing exposure to Micro SME, the non-performing status is applied at debtor level.

In the case of a non-performing exposure to a PI, all other debtor's exposures of the same product group shall be considered non-performing (i.e. at product level).

Due to pulling effect, when a PI debtor has on-balance sheet exposures past due more than 90 days, the gross carrying amount of which represents 20% of the gross carrying amount of all its on-balance sheet exposures, all on and off-balance sheet exposures of this debtor shall be considered as non-performing and so the non default facilities might be reclassified as non performing due to contamination at product and debtor level.

c) Liquidity risk

Liquidity risk is generated in the normal course of banking activity being a consequence of the bank's response to client needs. While depositors need short term access to their funds, borrowers need the possibility to repay the loans in medium to long term timeframes, therefore by responding to these needs the Bank accepts a degree of liquidity risk that has to be actively managed.

5. FINANCIAL RISK MANAGEMENT (continued)

The Management Board defines the liquidity risk strategy based on recommendations made by the units responsible for liquidity and funding management in cooperation with the area responsible for monitoring and controlling of liquidity risk. Management Board approves each year the limits which are applied to measure and control liquidity risk as well as the Bank's funding plan.

The risk tolerance of the Bank represents the foundation of the liquidity risk management framework and is defined:

- for normal business conditions, using a set of limits for the long term liquidity risk profile. The role of the limits is to prevent the accumulation of liquidity risk from current activity of the Bank;
- for stress conditions, tolerance is the Bank's capacity to operate for an acceptable time without significant changes to the strategy or business model.

Treasury and Capital Markets Division function is responsible for the management of liquidity and funding risk of the Bank and Risk Management Division has responsibilities for liquidity risk monitoring and controlling, as defined in the liquidity and funding strategies.

For liquidity management, the Bank analyses, monitors and forecasts the liquidity behaviour of products and business segments and maintain long-term liquidity, including stable deposits, in excess of illiquid assets, at an optimal cost, as defined in the risk appetite.

Diversification of funding profile in terms of investor types, products and instruments is an important element of the liquidity management framework. The core funding resources come from retail clients while other customer's deposits, interbank deposits and borrowings are additional sources of funding. This improves the Bank's flexibility in funding and diminishes the liquidity cost.

The transfer pricing mechanism represents an important instrument for the management of liquidity risks. It covers the balance sheet and off balance sheet elements and is designed to allocate all costs and benefits to the business segments in a way that incentivizes the efficient use of liquidity.

The main tools used for liquidity and funding risk management are:

- the liquidity gap report: used to identify and measure the maturity mismatch between assets and liabilities;
- liquidity scorecard: tool for assessing the robustness of the balance sheet structure (loans to deposits ratio, funding concentration, size of liquid assets in relation to total obligations, etc);
- regulatory liquidity gap: the Bank has to comply with a regulatory liquidity indicator which sets minimum liquidity risk standards at banking system level;
- funding scorecard: the Bank ensures that funding risk is mitigated through the monitoring of several triggers, among which: the concentration in sources of wholesale funding, maturity concentration, the dependence on short term funding and the percentage of unencumbered assets.

At Bank level, there are pre-established trigger levels set for the main tools which are monitored and, in case a breach is observed or anticipated, a specific action plan is taken based on senior management decision.

For stress conditions, the Bank maintains a sufficient liquidity buffer that can be used to compensate the limited access to funding sources and liquidity outflows during stress periods. The Bank determines the necessary liquidity buffer based on stress test analysis. In addition the Bank defines a contingency plan which establishes responsibilities and specific actions that can be taken to strengthen liquidity position on short term and reduce liquidity risk on medium to long term.

5. FINANCIAL RISK MANAGEMENT (continued)

The main tools used for stress conditions are:

- Early warning system: used to monitoring financial markets and internal liquidity indicators in order to anticipate accumulation of risks and potential stress conditions;
- Internal stress test: scenario based analysis used to evaluate Bank's ability to operate in stress conditions;
- Regulatory liquidity coverage ratio: scenario based analysis standardized at banking system level, used to evaluate Bank's ability to operate in stress conditions, as described in CRR/ CRD IV package. According to the standard, banks are required to hold an adequate stock of unencumbered high quality assets (HQLA) to cover potential liquidity outflows in stress conditions.

Group

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as at 31 December 2020 as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturity	Total
Financial Assets						
Cash and cash with Central Bank	10,854,199	-	-	-	-	10,854,199
Loans and advances to banks at amortized cost	825,873	146,186	-	-	-	972,059
Derivative assets held for risk management	729	-	-	-	-	729
Trading assets	224	149,215	159,771	45,061	-	354,271
Financial assets mandatorily at fair value through profit or loss	36,231	75,098	58,688	198,835	24,995	393,847
Investment securities at fair value through other comprehensive income	586,734	220,928	1,858,138	546,728	-	3,212,528
Equity instruments at fair value through other comprehensive income	-	-	-	-	44,989	44,989
Loans and advances to customers at amortised cost	2,720,503	5,781,868	11,796,281	8,474,408	-	28,773,060
Fair value changes of the hedged items-hedge accounting	-	-	-	10,449	-	10,449
Investment securities at amortised cost	163,515	131,239	3,898,529	1,902,426	-	6,095,709
Other assets	160,414	-	107,695	-	1,070	269,179
Total financial assets	**15,348,422**	**6,504,534**	**17,879,102**	**11,177,907**	**71,054**	**50,981,019**
Financial Liabilities						
Trading liabilities	23,393	-	-	-	-	23,393
Derivative liabilities held for risk management	-	-	-	15,971	-	15,971
Deposits from banks	338,463	-	-	-	-	338,463
Deposits from customers	39,671,280	3,481,887	354,943	44,923	-	43,553,033
Loans from banks and other financial institutions	25,756	65,816	226,380	114,226	-	432,178
Derivatives – Hedge accounting	-	-	21,488	-	-	21,488
Debt securities issued	-	-	-	480,092	-	480,092
Subordinated liabilities	-	97,870	122,404	196,052	-	416,326
Other liabilities	579,085	22,995	63,685	20,6077	40,969	912,811
Total financial liabilities	**40,637,977**	**3,668,568**	**788,900**	**1,057,341**	**40,969**	**46,193,755**
Maturity surplus/ (shortfall)	**(25,289,555)**	**2,835,966**	**17,090,202**	**10,120,566**	**30,085**	**4,787,264**

5. FINANCIAL RISK MANAGEMENT (continued)

The financial assets and liabilities analyzed over the remaining period from 31 December 2019 to contractual maturity are as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturity	Total
Financial Assets						
Cash and cash with Central Bank	6,506,880	-	-	-	-	6,506,880
Loans and advances to banks at amortized cost	202,804	4,503	-	-	-	207,307
Derivative assets held for risk management	561	6,888	1,394	-	-	8,843
Trading assets	63,067	106,069	215,999	17,796	-	402,931
Financial assets mandatorily at fair value through profit or loss	37,423	43,712	50,435	231,918	37	363,525
Investment securities at fair value through other comprehensive income	143,604	550,695	1,239,249	464,613	-	2,398,161
Equity instruments at fair value through other comprehensive income	-	-	-	-	61,902	61,902
Loans and advances to customers at amortised cost	2,920,518	5,848,268	10,748,715	8,076,133	-	27,593,634
Fair value changes of the hedged items-hedge accounting	-	-	-	3,204	-	3,204
Investment securities at amortised cost	129,536	486,583	3,032,150	1,304,507	-	4,952,776
Other assets	226,580	-	-	-	-	226,580
Total financial assets	**10,230,973**	**7,046,718**	**15,287,942**	**10,098,171**	**61,939**	**42,725,743**
Financial Liabilities						
Trading liabilities	9,445	5,646	-	-	-	15,091
Derivative liabilities held for risk management	9,000	619	1,831	13,854	-	25,304
Deposits from banks	308,670	-	-	-	-	308,670
Deposits from customers	32,286,830	3,564,855	218,156	38,985	-	36,108,826
Loans from banks and other financial institutions	94,644	246,783	138,324	33,211		512,962
Derivatives – Hedge accounting	-	-	-	3,497	-	3,497
Debt securities issued	-	-	-	480,617	-	480,617
Subordinated liabilities	-	-	96,296	312,349	-	408,645
Other liabilities	489,615	64,142	204,799	57,469	98,696	914,721
Total financial liabilities	**33,198,204**	**3,882,045**	**659,406**	**939,982**	**98,696**	**38,778,333**
Maturity surplus/ (shortfall)	**(22,967,231)**	**3,164,673**	**14,628,536**	**9,158,189**	**(36,757)**	**3,947,410**

5. FINANCIAL RISK MANAGEMENT (continued)

Bank

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as of 31 December 2020 as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturity	Total
Financial Assets						
Cash and cash with Central Bank	10,853,779	-	-	-	-	10,853,779
Loans and advances to banks at amortised cost	824,980	146,186	-	-	-	971,166
Derivative assets held for risk management	729	-	-	-	-	729
Trading assets	224	149,215	159,771	45,061	-	354,271
Financial assets mandatorily at fair value through profit or loss	21,530	75,098	58,688	198,835	24,995	379,146
Investment securities at fair value through other comprehensive income	664,709	164,444	1,775,003	546,728	-	3,150,884
Equity instruments at fair value through other comprehensive income	-	-	-	-	44,989	44,989
Loans and advances to customers at amortised cost	2,601,163	5,544,296	11,631,583	8,443,809	-	28,220,851
Fair value changes of the hedged items-hedge accounting	-	-	-	10,449	-	10,449
Investment securities at amortised cost	163,515	131,239	3,715,425	1,902,426	-	5,912,605
Other assets	121,511	-	107,695	-	-	229,206
Total financial assets	**15,252,140**	**6,210,478**	**17,448,165**	**11,147,308**	**69,984**	**50,128,075**
Financial Liabilities						
Trading liabilities	23,393	-	-	-	-	23,393
Derivative liabilities held for risk management	-	-	-	15,971	-	15,971
Deposits from banks	338,463	-	-	-	-	338,463
Deposits from customers	39,547,140	3,462,534	340,474	44,780	-	43,394,928
Loans from banks and other financial institutions	-	-	-	17,657	-	17,657
Derivatives – Hedge accounting	-	-	21,488	-	-	21,488
Debt securities issued	-	-	-	480,092	-	480,092
Subordinated liabilities	-	97,870	122,404	196,052	-	416,326
Other liabilities	567,765	22,995	63,685	206,077	40,969	901,491
Total financial liabilities	**40,476,761**	**3,583,399**	**548,051**	**960,629**	**40,969**	**45,609,809**
Maturity surplus/ (shortfall)	**(25,224,621)**	**2,627,079**	**16,900,114**	**10,186,679**	**29,015**	**4,518,266**

5. FINANCIAL RISK MANAGEMENT (continued)

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as of 31 December 2019 as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturity	Total
Financial Assets						
Cash and cash with Central Bank	6,506,056	-	-	-	-	6,506,056
Loans and advances to banks at amortised cost	196,499	4,503	-	-	-	201,002
Derivative assets held for risk management	561	6,888	1,394	-	-	8,843
Trading assets	63,067	106,069	215,999	17,796	-	402,931
Financial assets mandatorily at fair value through profit or loss	17,522	43,713	50,435	231,918	37	343,625
Investment securities at fair value through other comprehensive income	143,604	550,695	1,167,459	464,613	-	2,326,371
Equity instruments at fair value through other comprehensive income	-	-	-	-	61,902	61,902
Loans and advances to customers at amortised cost	2,789,511	5,574,671	10,561,071	8,036,161	-	26,961,414
Fair value changes of the hedged items-hedge accounting	-	-	-	3,204	-	3,204
Investment securities at amortised cost	90,784	331,571	2,947,370	1,304,507	-	4,674,232
Other assets	196,847	-	-	-	-	196,847
Total financial assets	**10,004,451**	**6,618,110**	**14,943,728**	**10,058,199**	**61,939**	**41,686,427**
Financial Liabilities						
Trading liabilities	9,445	5,646	-	-	-	15,091
Derivative liabilities held for risk management	9,000	619	1,831	13,854	-	25,304
Deposits from banks	308,670	-	-	-	-	308,670
Deposits from customers	32,094,675	3,521,903	147,660	38,072	-	35,802,310
Loans from banks and other financial institutions	9,058	-	-	33,211	-	42,269
Derivatives – Hedge accounting	-	-	-	3,497	-	3,497
Debt securities issued	-	-	-	480,617	-	480,617
Subordinated liabilities	-	-	96,296	312,349	-	408,645
Other liabilities	478,491	64,142	204,799	57,469	98,696	903,597
Total financial liabilities	**32,909,339**	**3,592,310**	**450,586**	**939,069**	**98,696**	**37,990,000**
Maturity surplus/ (shortfall)	**(22,904,888)**	**3,025,800**	**14,493,142**	**9,119,130**	**(36,757)**	**3,696,427**

Usually, the most significant liquidity gap is registered in the first interval (up to 3 months) mainly due to non-banking customers, which prefer short term maturities for deposits and long term maturities for loans. This behaviour that determines a negative gap in the first interval generates a positive gap on the other intervals (higher than 3 months). In practice the negative gap in the first bucket does not represent outflows as most customer deposits are rolled over or replaced by new deposits.

Also the Group securities portfolio can be turned to cash (repo or sale) in a short time representing thus a buffer that diminishes the liquidity risk in the first bucket.

Group:

The negative liquidity gap on the first bucket has increased in 2020 by RON 2,323,324 thousand compared to 2019, being generated by the increase in customer deposits, higher in 2020 by RON 7,384,450 thousand which was only partially compensated by the increase in cash and cash with Central Bank by RON 4,347,319 thousand.

5. FINANCIAL RISK MANAGEMENT (continued)

With regards to the other buckets, the most significant one is related to bucket 1-5 years. Here the increase in maturity surplus by RON 2,461,666 thousand is mainly due to increase in loans and advances to customers by RON 1,047,566 thousand and to higher investment securities at amortised cost by RON 866,379 thousand.

Bank:

The negative liquidity gap on the first bucket has increased in 2020 by RON 2,320,733 thousand compared to 2019, being generated by the increase in customer deposits, higher in 2020 by RON 7,452,465 thousand, which was only partially compensated by the increase in cash and cash with Central Bank by RON 4,347,723 thousand.

With regards to the other buckets, the most significant one is related to bucket 1-5 years. Here the increase in maturity surplus by RON 2,406,972 thousand is mainly due to increase in loans and advances to customers by RON 1,070,512 thousand, but also due to higher investment securities at amortised cost by RON 768,055 thousand.

Analysis of financial liabilities by remaining contractual maturities

The amounts disclosed in the below tables represent contractual maturity analysis for financial liabilities disclosed in accordance with IFRS 7, whereby the undiscounted cash flows to be shown in these predefined maturity-bands differ from the amounts included in the balance sheet because the balance sheet amount is based on discounted cash flows.

Group

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2020 are as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Financial Liabilities					
Gross settled trading liabilities	2,831,783	469,129	1,919	-	3,302,831
Net settled derivative liabilities held for risk management	2,920	2,278	16,863	2,588	24,649
Deposits from banks	337,982	481	-	-	338,463
Deposits from customers	39,832,951	3,474,816	227,128	45,077	43,579,972
Loans from banks	45,272	99,733	294,454	392	439,851
Debt securities issued	6,500	20,702	122,857	600,187	750,246
Subordinated liabilities	4,395	111,412	177,673	240,097	533,577
Lease liabilities	24,764	63,685	206,075	40,969	335,493
Other financial guarantees	46,106	42,884	14,531	4,178	107,699
Total financial liabilities	**43,132,673**	**4,285,120**	**1,061,500**	**933,488**	**49,412,781**
Gross settled derivative liabilities held for risk management					
Contractual amounts receivable	1,080,005	-	56,940	-	1,136,945
Contractual amounts payable	(1,087,349)	(1,976)	(57,154)	-	(1,146,479)
	(7,344)	**(1,976)**	**(214)**	**-**	**(9,534)**

5. FINANCIAL RISK MANAGEMENT (continued)

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2019 are as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Financial Liabilities					
Net settled trading liabilities	(172)	682	1,459	2	1,971
Gross settled trading liabilities	2,321,699	768,565	-	-	3,090,264
Net settled derivative liabilities held for risk management	(1,437)	(710)	(9,789)	(4,309)	(16,245)
Deposits from banks	393,376	247,664	138,324	-	779,364
Deposits from customers	32,288,566	3,580,802	227,643	39,140	36,136,151
Loans from banks	13,928	10,225	16,957	838	41,948
Debt securities issued	-	-	-	-	-
Subordinated liabilities	12,145	37,928	298,771	1,013,622	1,362,466
Lease liabilities	23,582	64,142	204,799	57,469	349,992
Other financial guarantees	50,092	31,976	17,404	2,548	102,020
Total financial liabilities	**35,101,779**	**4,741,274**	**895,568**	**1,109,310**	**41,847,931**
Gross settled derivative liabilities held for risk management					
Contractual amounts receivable	1,548,105	156,836	54,431	-	1,759,372
Contractual amounts payable	(1,555,722)	(155,564)	(59,491)	-	(1,770,777)
	(7,617)	**1,272**	**(5,060)**		**(11,405)**

Bank

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2020 are as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Financial Liabilities					
Gross settled trading liabilities	2,831,783	469,129	1,919	-	3,302,831
Net settled derivative liabilities held for risk management	2,920	2,278	16,863	2,588	24,649
Deposits from banks	337,982	481	-	-	338,463
Deposits from customers	39,708,810	3,455,463	212,659	44,934	43,421,866
Loans from banks	2,023	6,729	8,513	392	17,657
Debt securities issued	6,500	20,702	122,857	600,187	750,246
Subordinated liabilities	4,395	111,412	177,673	240,097	533,577
Lease liabilities	24,764	63,685	206,075	40,969	335,493
Other financial guarantees	46,106	42,884	14,531	4,178	107,699
Total financial liabilities	**42,965,283**	**4,172,763**	**761,090**	**933,345**	**48,832,481**
Gross settled derivative liabilities held for risk management					
Contractual amounts receivable	1,080,005	-	56,940	-	1,136,945
Contractual amounts payable	(1,087,349)	(1,976)	(57,154)	-	(1,146,479)
	(7,344)	**(1,976)**	**(214)**	**-**	**(9,534)**

5. FINANCIAL RISK MANAGEMENT (continued)

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2019 are as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Financial Liabilities					
Net settled trading liabilities	(172)	682	1,459	2	1,971
Gross settled trading liabilities	2,321,699	768,565	-	-	3,090,264
Net settled derivative liabilities held for risk management	(1,437)	(710)	(9,789)	(4,309)	(16,245)
Deposits from banks	308,670	-	-	-	308,670
Deposits from customers	32,097,075	3,537,850	157,147	38,227	35,830,299
Loans from banks	13,928	10,225	16,957	838	41,948
Subordinated liabilities	12,145	37,928	298,771	1,013,622	1,362,466
Lease liabilities	23,582	64,142	204,799	57,469	349,992
Other financial guarantees	50,092	31,976	17,404	2,548	102,020
Total financial liabilities	**34,825,582**	**4,450,658**	**686,748**	**1,108,397**	**41,071,385**
Gross settled derivative liabilities held for risk management					
Contractual amounts receivable	1,548,105	156,836	54,431	-	1,759,372
Contractual amounts payable	(1,555,722)	(155,564)	(59,491)	-	(1,770,777)
	(7,617)	**1,272**	**(5,060)**		**(11,405)**

d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and others will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Group separates its exposure to market risk between trading and non-trading portfolios.

The principal tool used to measure and control market risk exposure within the Group’s trading portfolios is Value at Risk (VaR).

The VaR of a trading portfolio is the maximum estimated loss that can arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). In 2020, the VaR model used by the Group is based upon a 99% confidence level and assumes a 1 day holding period.

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

- A 1 day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations when there is severe market illiquidity for a prolonged period;
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the used model there is a 1% probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.

The Group uses VaR limits for total market risk and for individual foreign exchange and interest rate risk. The overall structure of VaR limits is subject to review and approval by the Assets and Liabilities Committee (ALCO). VaR is calculated on a daily basis. Reports including VaR limits utilization are submitted daily to Group management and monthly summaries are submitted to ALCO.

5. FINANCIAL RISK MANAGEMENT (continued)

A summary of the VaR position of the Group's trading portfolios at December 31, 2020 and 2019 and during the period is as follows (trading portfolio includes trading assets and trading liabilities as well as the overall FX position of the Group):

In RON thousand	At 31 December	Average Risk	Maximum Risk	Minimum Risk
2020				
Foreign currency risk*	631	414	953	103
Interest-rate risk	278	355	1,001	66
Total	**909**	**769**	**1,954**	**169**
2019				
Foreign currency risk*	313	306	917	22
Interest-rate risk	300	379	1,698	102
Total	**613**	**685**	**2,615**	**124**

** Foreign currency risk is calculated based on the overall foreign exchange position of the Group*

A summary of the VaR position of the Bank's trading portfolios at December 31, 2020 and 2019 and during the period is as follows (trading portfolio includes trading assets and trading liabilities as well as the overall FX position of the Bank):

In RON thousand	At 31 December	Average Risk	Maximum Risk	Minimum Risk
2020				
Foreign currency risk*	630	414	953	103
Interest-rate risk	278	355	1,001	66
Total	**908**	**769**	**1,954**	**169**
2019				
Foreign currency risk*	283	306	917	22
Interest-rate risk	300	379	1,698	102
Total	**583**	**685**	**2,615**	**124**

** Foreign currency risk is calculated based on the overall foreign exchange position of the Bank*

At Bank level, the foreign exchange risk is managed through the overall open foreign currency position which represents the basis for the calculation of the VaR for currency risk. In addition to VaR, the foreign exchange risk is measured, monitored and controlled at Bank level through the set of limits for the open notional foreign currency position for each currency and for total. The Bank may have positions only in currencies for which an approved open foreign currency notional position limit is in place.

Exposure to interest rate risk for non-trading portfolios

The main risk to which non-trading portfolios are exposed is the interest rate risk. Interest rate risk represents the risk of loss due to adverse and unexpected movements in interest rates. On one side interest rate movements influence bank's earnings by affecting the net interest rate revenues (earnings perspective). On the other side movements in interest rates also affect the economic value of bank's assets, liabilities and off balance sheet items as the present value of future cash flows (and even the actual cash flows) may change following interest rate movements (economic value perspective). Interest rate risk is principally managed by monitoring the interest rate gap and a set of pre-approved limits. ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities.

The derivative financial instruments used by the Group to reduce the interest rate risk include swaps that fluctuate in value depending on the interest rates variations.

The swaps are over the counter market commitments and are traded between the Group and third parties with the purpose of exchanging future cash flows on agreed amounts. Through interest rate swaps, the Group agrees to exchange with third parties, at determined time intervals the difference between the fixed and variable interest rates.

The following tables provide an analysis of the interest rate risk exposure on non-trading financial assets and liabilities. The assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates, except for positions without contractual maturity (such as sight deposits from customers) which are distributed per buckets according to modeled interest rate profile calculated based on statistical methods.

5. FINANCIAL RISK MANAGEMENT (continued)

A summary of the Group's interest rate gap position on non-trading portfolios as at 31 December 2020 is as follows:

In RON thousand	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and cash with Central Bank	7,297,397	-	-	-	3,556,802	10,854,199
Loans and advances to banks at amortised cost	972,059	-	-	-	-	972,059
Financial assets mandatorily at fair value through profit or loss	244,001	134,286	759	100	14,701	393,847
Investment securities at fair value through other comprehensive income	842,810	290,497	1,755,940	323,281	-	3,212,528
Loans and advances to customers at amortised cost	17,625,388	4,988,576	5,741,650	417,446	-	28,773,060
Investment securities at amortised cost	204,657	264,776	3,770,141	1,856,135	-	6,095,709
	27,186,312	**5,678,135**	**11,268,490**	**2,596,962**	**3,571,503**	**50,301,402**
Liabilities						
Deposits from banks	338,463	-	-	-	-	338,463
Deposits from customers	19,760,524	7,231,471	16,516,237	44,801	-	43,553,033
Loans from banks and other financial institutions	307,971	38,266	82,225	3,716	-	432,178
Debt securities issued	480,092	-	-	-	-	480,092
Subordinated liabilities	294,591	-	121,735	-	-	416,326
	21,181,641	**7,269,737**	**16,720,197**	**48,517**	**-**	**45,220,092**
Effect of derivatives held for risk management purposes	207,986	48,694	(175,675)	(77,910)	-	3,095
Net position	**6,212,657**	**(1,542,908)**	**(5,627,382)**	**2,470,535**	**3,571,503**	**5,084,405**

A summary of the Group's interest rate gap position on non-trading portfolios as at 31 December 2019 is as follows:

In RON thousand	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and cash with Central Bank	3,917,527	-	-	-	2,589,353	6,506,880
Loans and advances to banks at amortised cost	202,803	4,504	-	-	-	207,307
Financial assets mandatorily at fair value through profit or loss	194,454	131,613	17,448	109	19,901	363,525
Investment securities at fair value through other comprehensive income	350,438	730,536	1,109,072	208,115	-	2,398,161
Loans and advances to customers at amortised cost	17,577,478	4,461,594	5,011,998	542,564	-	27,593,634
Investment securities at amortised cost	145,486	471,401	3,064,445	1,271,444	-	4,952,776
	22,388,186	**5,799,648**	**9,202,963**	**2,022,232**	**2,609,254**	**42,022,283**
Liabilities						
Deposits from banks	308,670	-	-	-	-	308,670
Deposits from customers	17,383,004	6,611,739	12,101,755	12,328	-	36,108,826
Loans from banks and other financial institutions	401,057	28,872	82,184	849	-	512,962
Debt securities issued	480,617	-	-	-	-	480,617
Subordinated liabilities	289,162	-	-	119,483	-	408,645
	18,862,510	**6,640,611**	**12,183,939**	**132,660**	**-**	**37,819,720**
Effect of derivatives held for risk management purposes	412,336	(88,317)	(99,369)	(215,807)	-	8,843
Net position	**3,938,012**	**(929,280)**	**(3,080,345)**	**1,673,765**	**2,609,254**	**4,211,406**

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5. FINANCIAL RISK MANAGEMENT (continued)

A summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2020 is as follows:

In RON thousand	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and cash with Central Bank	7,296,995	-	-	-	3,556,784	10,853,779
Loans and advances to banks at amortised cost	971,166	-	-	-	-	971,166
Financial assets mandatorily at fair value through profit or loss	244,001	134,286	759	100	-	379,146
Investment securities at fair value through other comprehensive income	842,810	228,853	1,755,940	323,281	-	3,150,884
Loans and advances to customers at amortised cost	17,315,095	4,900,989	5,603,627	401,140	-	28,220,851
Investment securities at amortised cost	185,299	196,590	3,674,581	1,856,135	-	5,912,605
	26,855,366	**5,460,718**	**11,034,907**	**2,580,656**	**3,556,784**	**49,488,431**
Liabilities						
Deposits from banks	338,463	-	-	-	-	338,463
Deposits from customers	19,686,926	7,172,347	16,490,875	44,780	-	43,394,928
Loans from banks and other financial institutions	4,348	4,428	8,513	368	-	17,657
Debt securities issued	480,092	-	-	-	-	480,092
Subordinated liabilities	294,591	-	121,735	-	-	416,326
	20,804,420	**7,176,775**	**16,621,123**	**45,148**	**-**	**44,647,466**
Effect of derivatives held for risk management purposes	207,986	48,694	(175,675)	(77,910)	-	3,095
Net position	**6,258,932**	**(1,667,363)**	**(5,761,891)**	**2,457,598**	**3,556,784**	**4,844,060**

A summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2019 is as follows:

In RON thousand	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and cash with Central Bank	3,917,527	-	-	-	2,588,529	6,506,056
Loans and advances to banks at amortised cost	196,498	4,504	-	-	-	201,002
Financial assets mandatorily at fair value through profit or loss	194,455	131,613	17,448	109	-	343,625
Investment securities at fair value through other comprehensive income	350,438	658,746	1,109,072	208,115	-	2,326,371
Loans and advances to customers at amortised cost	17,313,382	4,356,595	4,771,687	519,750	-	26,961,414
Investment securities at amortised cost	106,258	384,386	2,912,144	1,271,444	-	4,674,232
	22,078,558	**5,535,844**	**8,810,351**	**1,999,418**	**2,588,529**	**41,012,700**
Liabilities						
Deposits from banks	308,670	-	-	-	-	308,670
Deposits from customers	17,300,525	6,539,133	11,953,985	8,667	-	35,802,310
Loans from banks and other financial institutions	13,703	10,072	17,645	849	-	42,269
Debt securities issued	480,617	-	-	-	-	480,617
Subordinated liabilities	289,162	-	-	119,483	-	408,645
	18,392,677	**6,549,205**	**11,971,630**	**128,999**	**-**	**37,042,511**
Effect of derivatives held for risk management purposes	412,336	(88,317)	(99,369)	(215,807)	-	8,843
Net position	**4,098,215**	**(1,101,678)**	**(3,260,648)**	**1,654,612**	**2,588,529**	**3,979,030**

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the consolidated and separate financial statements is provided as a free translation from Romanian which is the official and binding version.

5. FINANCIAL RISK MANAGEMENT (continued)

The management of interest rate risk through the set of interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. From the economic value perspective the standard scenarios include a 200 basis point (bp) parallel shift in the yield curve for all currencies and all maturities.

The sensitivity scenarios calculate the change in the economic value of the banking book interest rate sensitive assets and liabilities of the Bank under the assumption that interest rates change according to the each of the scenarios mentioned above. Under each scenario the sensitivity result is calculated by comparing the present value of the banking book under stress scenario with the present value calculated using the base interest rate curve. The present value of the banking book asset and liabilities is calculated by discounting future cash flows generated by interest rate sensitive assets and liabilities which are distributed on repricing gaps according to next reset date – in case of floating rate instruments – or according to maturity date – in case of fixed rate instruments.

An analysis of the Group's sensitivity of the economic value of banking book assets and liabilities to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

In RON thousand	**200 bp**	**200 bp**
	Increase	**Decrease**
At 31 December 2020	**255,790**	**287,759**
Average for the period	341,432	384,381
Minimum for the period	255,790	287,759
Maximum for the period	420,502	473,313
At 31 December 2019	**287,009**	**326,556**
Average for the period	228,000	256,866
Minimum for the period	175,264	196,283
Maximum for the period	287,009	326,556

An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

In RON thousand	**200 bp**	**200 bp**
	Increase	**Decrease**
At 31 December 2020	**247,796**	**278,972**
Average for the period	333,416	375,555
Minimum for the period	247,796	278,972
Maximum for the period	410,192	462,060
At 31 December 2019	**280,110**	**318,919**
Average for the period	224,494	252,991
Minimum for the period	175,009	196,148
Maximum for the period	280,110	318,919

5. FINANCIAL RISK MANAGEMENT (continued)

According to EBA requirements (EBA/GL/2015/08), measurement and monitoring of interest rate risk in the banking book is done based on two approaches: economic value and net interest income (NII) volatility.

In order to assess the impact of interest rate changes on net interest income, a set of scenarios and assumptions are defined and used to measure net interest income volatility and potential losses.
The assessment is made using a constant balance sheet, i.e. each maturing item is replaced by an item with similar characteristics, over a 12-month period and an instantaneous shock.

The impact of interest rate shocks on net interest income is presented below:

In RON million

Bank

Applied shock on Net Interest Income*	2020	2019
Parallel +200bp	270	211
Parallel -200bp	(417)	(344)
Steepening 5Y +200bp	12	12
Flattening 5Y -200bp	(40)	(38)
Flattening 1D +200bp	259	199
Steepening 1D -200bp	(376)	(303)
Maximum positive impact	296	279
Maximum negative impact	(433)	(418)

*The change in projected Net Interest Income over a forward-looking rolling 12-month period, using a constant balance sheet assumption and an instantaneous shock.

The interest rates related to the local currency and the major foreign currencies as at 31 December 2020 and 2019 were as follows:

Currencies	Interest rate	31 December 2020	31 December 2019
RON	ROBOR 3 months	2.03%	3.18%
EUR	EURIBOR 3 months	-0.55%	-0.38%
EUR	EURIBOR 6 months	-0.53%	-0.32%
USD	LIBOR 6 months	0.26%	1.91%

The following table shows the average interest rates per annum obtained or offered by the Group for its interest-bearing assets and liabilities during the 2020 financial year:

	Average interest rate		
	RON	EUR	USD
Assets			
Current accounts with National Bank of Romania	0.17%	0.00%	0.06%
Loans and advances to banks at amortised cost	2.04%	-0.51%	0.28%
Trading assets	3.75%	0.91%	2.56%
Financial assets mandatorily at fair value through profit or loss	3.99%	0.10%	N/A
Investment securities at fair value through other comprehensive income	4.00%	0.93%	N/A
Loans and advances to customers at amortised cost	5.31%	1.35%	1.78%
Investment securities at amo-rtised cost	4.00%	1.44%	N/A
Liabilities			
Deposits from banks	1.89%	0.00%	0.00%
Deposits from customers	0.50%	0.16%	0.01%
Loans from banks and other financial institutions	0.60%	0.03%	0.60%
Debt securities issued	6%	N/A	N/A
Subordinated liabilities	N/A	4.13%	N/A

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the consolidated and separate financial statements is provided as a free translation from Romanian which is the official and binding version.

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5. FINANCIAL RISK MANAGEMENT (continued)

The following table shows the interest rates per annum obtained or offered by the Group for its interest-bearing assets and liabilities during the 2019 financial year:

	Average interest rate		
	RON	**EUR**	**USD**
Assets			
Current accounts with National Bank of Romania	0.17%	0.01%	0.13%
Loans and advances to banks at amortised cost	2.45%	(0.47%)	2.05%
Trading assets	2.11%	0.56%	0.00%
Financial assets mandatorily at fair value through profit or loss	5.31%	4.63%	N/A
Investment securities at fair value through other comprehensive income	3.63%	0.50%	N/A
Loans and advances to customers at amortised cost	5.62%	1.70%	3.21%
Investment securities at amo-rtised cost	3.76%	1.56%	N/A
Liabilities			
Deposits from banks	2.41%	1.52%	3.77%
Deposits from customers	0.45%	0.33%	0.05%
Loans from banks and other financial institutions	N/A	4.64%	N/A
Debt securities issued	5.31%	N/A	N/A
Subordinated liabilities	N/A	4.64%	N/A

The following table shows the average interest rates per annum obtained or offered by the Bank for its interest-bearing assets and liabilities during the 2020 financial year:

	Average interest rate		
	RON	**EUR**	**USD**
Assets			
Current accounts with National Bank of Romania	0.17%	0.00%	0.06%
Trading assets	2.04%	-0.51%	0.28%
Loans and advances to banks at amortised cost	3.75%	0.91%	2.56%
Financial assets mandatorily at fair value through profit or loss	3.99%	0.10%	N/A
Investment securities at fair value through other comprehensive income	4.00%	0.93%	N/A
Loans and advances to customers at amortised cost	5.31%	1.35%	1.78%
Investment securities at amortised cost	4.00%	1.44%	N/A
Liabilities			
Deposits from banks	1.89%	0.00%	0.00%
Deposits from customers	0.50%	0.16%	0.01%
Loans from banks and other financial institutions	0.60%	0.03%	0.60%
Debt securities issued	5.31%	N/A	N/A
Subordinated liabilities	3.23%	4.13%	N/A

The following table shows the average interest rates per annum obtained or offered by the Bank for its interest-bearing assets and liabilities during the 2019 financial year:

	Average interest rate		
	RON	**EUR**	**USD**
Assets			
Current accounts with National Bank of Romania	0.17%	0.01%	0.13%
Trading assets	2.11%	0.56%	0.00%
Loans and advances to banks at amortised cost	2.45%	(0.47%)	2.05%
Financial assets mandatorily at fair value through profit or loss	5.31%	4.63%	N/A
Investment securities at fair value through other comprehensive income	3.63%	0.50%	N/A
Loans and advances to customers at amortised cost	5.62%	1.70%	3.21%
Investment securities at amortised cost	3.76%	1.56%	N/A
Liabilities			
Deposits from banks	2.41%	1.52%	3.77%
Deposits from customers	0.45%	0.33%	0.05%
Loans from banks and other financial institutions	N/A	4.64%	N/A
Debt securities issued	5.31%	N/A	N/A
Subordinated liabilities	N/A	4.64%	N/A

5. FINANCIAL RISK MANAGEMENT (continued)

Exposure to currency risk

The Group is exposed to currency risk due to transactions in foreign currencies. There is also a balance sheet risk that the net monetary assets in foreign currencies will take a lower value when translated into RON as a result of currency movements or net monetary liabilities in foreign currencies will take a higher value as a result of these currency movements.

Group
The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2020 are presented below:

In RON thousand	RON	USD	EUR	OTHER	Total
Monetary assets					
Cash and cash with Central Bank	5,743,835	78,619	4,993,494	38,251	10,854,199
Loans and advances to banks at amortised cost	124,816	13,199	830,426	3,618	972,059
Derivative assets held for risk management	-	42	687	-	729
Trading assets	337,215	-	17,056	-	354,271
Financial assets mandatorily at fair value through profit or loss	320,126	24,995	17,007	31,719	393,847
Investment securities at fair value through other comprehensive income	1,866,456	39,843	1,306,229	-	3,212,528
Equity instruments at fair value through other comprehensive income	11,678	33,311	-	-	44,989
Investment in subsidiaries, associates and joint ventures	29,419	-	-	-	29,419
Loans and advances to customers at amortised cost*	20,335,750	397,602	7,710,494	329,214	28,773,060
Fair value changes of the hedged items-Hedge accounting	6,181	-	4,268	-	10,449
Investment securities at amortised cost	4,097,588	41,911	1,956,210	-	6,095,709
Other assets	216,823	-	52,072	284	269,179
Total monetary assets	**33,089,887**	**629,522**	**16,887,943**	**403,086**	**51,010,438**
Monetary liabilities					
Trading liabilities	21,024	-	2,369	-	23,393
Derivative liabilities held for risk management	3,433	7,758	4,780	-	15,971
Deposits from banks	333,531	51	4,826	55	338,463
Deposits from customers	26,455,901	1,746,855	15,049,977	300,300	43,553,033
Loans from banks and other financial institutions	62,501	-	369,677	-	432,178
Derivatives – hedge accounting	16,822	-	4,666	-	21,488
Other liabilities	369,462	52,897	487,848	2,604	912,811
Debt securities issued	480,133	-	(41)	-	480,092
Subordinated liabilities	-	-	416,326	-	416,326
Total monetary liabilities	**27,742,807**	**1,807,561**	**16,340,428**	**302,959**	**46,193,755**
Net currency position	**5,347,080**	**(1,178,039)**	**547,515**	**100,127**	**4,816,683**

* Other currencies include mainly loans and advances to customers in CHF.

5. FINANCIAL RISK MANAGEMENT (continued)

Group

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2019 are presented below:

In RON thousand	RON	USD	EUR	OTHER	Total
Monetary assets					
Cash and cash with Central Bank	3,165,260	28,296	3,278,321	35,003	6,506,880
Loans and advances to banks at amortised cost	159,101	3,951	40,950	3,305	207,307
Derivative assets held for risk management	504	-	8,282	57	8,843
Trading assets	370,925	-	32,006	-	402,931
Financial assets mandatorily at fair value through profit or loss	303,033	-	17,468	43,024	363,525
Investment securities at fair value through other comprehensive income	1,671,770	64,182	662,209	-	2,398,161
Equity instruments at fair value through other comprehensive income	12,674	49,228	-	-	61,902
Investment in subsidiaries, associates and joint ventures	17,780	-	-	-	17,780
Loans and advances to customers at amortised cost*	19,071,612	476,104	7,563,974	481,944	27,593,634
Fair value changes of the hedged items-Hedge accounting	-	-	3,204	-	3,204
Investment securities at amortised cost	3,313,344	46,097	1,593,082	253	4,952,776
Other assets	246,291	1,329	49,138	26,529	323,287
Total monetary assets	**28,332,294**	**669,187**	**13,248,634**	**590,115**	**42,840,230**
Monetary liabilities					
Trading liabilities	11,465	-	3,626	-	15,091
Derivative liabilities held for risk management	11,525	8,184	5,595	-	25,304
Deposits from banks	304,672	298	3,365	335	308,670
Deposits from customers	22,474,130	1,422,930	11,958,521	253,245	36,108,826
Loans from banks and other financial institutions	86,039	-	426,904	19	512,962
Derivatives – hedge accounting	-	-	3,497	-	3,497
Other liabilities	355,851	58,099	497,443	3,328	914,721
Debt securities issued	480,617	-	-	-	480,617
Subordinated liabilities	-	-	408,645	-	408,645
Total monetary liabilities	**23,724,299**	**1,489,511**	**13,307,596**	**256,927**	**38,778,333**
Net currency position	**4,607,995**	**(820,324)**	**(58,962)**	**333,188**	**4,061,897**

* Other currencies include mainly loans and advances to customers in CHF.

5. FINANCIAL RISK MANAGEMENT (continued)

Bank

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2020 are presented below:

In RON thousand	RON	USD	EUR	OTHER	Total
Monetary assets					
Cash and cash with Central Bank	5,743,421	78,616	4,993,491	38,251	10,853,779
Loans and advances to banks at amortised cost	124,931	13,170	829,447	3,618	971,166
Derivative assets held for risk management	-	42	687	-	729
Trading assets	337,215	-	17,056	-	354,271
Financial assets mandatorily at fair value through profit or loss	305,425	24,995	17,007	31,719	379,146
Investment securities at fair value through other comprehensive income	1,804,812	39,843	1,306,229	-	3,150,884
Equity instruments at fair value through other comprehensive income	11,678	33,311	-	-	44,989
Investment in subsidiaries, associates and joint ventures	107,166	-	-	-	107,166
Loans and advances to customers at amortised cost*	20,133,608	397,602	7,360,427	329,214	28,220,851
Fair value changes of the hedged items- Hedge accounting	6,181	-	4,268	-	10,449
Investment securities at amortised cost	3,914,484	41,911	1,956,210	-	5,912,605
Other assets	181,549	-	47,371	285	229,205
Total monetary assets	**32,670,470**	**629,490**	**16,532,193**	**403,087**	**50,235,240**
Monetary liabilities					
Trading liabilities	21,024	-	2,369	-	23,393
Derivative liabilities held for risk management	3,433	7,758	4,780	-	15,971
Deposits from banks	333,531	51	4,826	55	338,463
Deposits from customers	26,278,704	1,746,855	15,069,069	300,300	43,394,928
Loans from banks and other financial institutions	17,657	-	-	-	17,657
Derivatives – Hedge accounting	16,822	-	4,666	-	21,488
Other liabilities	358,207	52,885	487,795	2,604	901,491
Debt securities issued	480,133	-	-41	-	480,092
Subordinated liabilities	-	-	416,326	-	416,326
Total monetary liabilities	**27,509,511**	**1,807,549**	**15,989,790**	**302,959**	**45,609,809**
Net currency position	**5,160,959**	**(1,178,059)**	**542,403**	**100,128**	**4,625,431**

* Other currencies include mainly loans and advances to customers in CHF.

5. FINANCIAL RISK MANAGEMENT (continued)

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2019 are presented below:

Bank

In RON thousand	RON	USD	EUR	OTHER	Total
Monetary assets					
Cash and cash with Central Bank	3,164,444	28,293	3,278,316	35,003	6,506,056
Loans and advances to banks at amortised cost	155,861	3,948	38,010	3,183	201,002
Derivative assets held for risk management	504	-	8,282	57	8,843
Trading assets	370,925	-	32,006	-	402,931
Financial assets mandatorily at fair value through profit or loss	283,133	-	17,468	43,024	343,625
Investment securities at fair value through other comprehensive income	1,599,980	64,182	662,209	-	2,326,371
Equity instruments at fair value through other comprehensive income	12,674	49,228	-	-	61,902
Investment in subsidiaries, associates and joint ventures	97,953	-	-	-	97,953
Loans and advances to customers at amortised cost*	18,851,590	476,104	7,151,776	481,944	26,961,414
Fair value changes of the hedged items- Hedge accounting	-	-	3,204	-	3,204
Investment securities at amortised cost	3,035,053	46,097	1,593,082	-	4,674,232
Other assets	229,774	1,329	36,029	26,422	293,554
Total monetary assets	**27,801,891**	**669,181**	**12,820,382**	**589,633**	**41,881,087**
Monetary liabilities					
Trading liabilities	11,465	-	3,626	-	15,091
Derivative liabilities held for risk management	11,525	8,184	5,595	-	25,304
Deposits from banks	304,672	298	3,365	335	308,670
Deposits from customers	22,166,925	1,422,953	11,959,187	253,245	35,802,310
Loans from banks and other financial institutions	33,088	-	9,162	19	42,269
Derivatives – Hedge accounting	-	-	3,497	-	3,497
Other liabilities	347,020	58,099	495,652	2,826	903,597
Debt securities issued	480,617	-	-	-	480,617
Subordinated liabilities	-	-	408,645	-	408,645
Total monetary liabilities	**23,355,312**	**1,489,534**	**12,888,729**	**256,425**	**37,990,000**
Net currency position	**4,446,579**	**(820,353)**	**(68,347)**	**333,208**	**3,891,087**

* Other currencies include mainly loans and advances to customers in CHF.

Derivative financial instruments used by the Group to mitigate currency risk include foreign exchange swaps.

5. FINANCIAL RISK MANAGEMENT (continued)

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risk, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities. This definition includes legal risk, but excludes strategic and reputational risk.

Legal risk is a component of the operational risk and is defined as the risk due to non-observance of the legal or statutory requirements and/or inaccurately drafted contracts and their execution due to lack of diligence in applying the respective law or a delay in reacting to changes in legal framework conditions.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The main responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirement for inclusion of operational risk responsibilities in each job position;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risk faced by the Group, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

f) Capital management

The National Bank of Romania (NBR) regulates and monitors the capital requirements at individual level and at group level.

Regulation (EU) no 575/2013 of the European Parliament and of the Council requires that the Group maintain a minimum Common Equity Tier 1 capital ratio of 4.5%, a minimum Tier 1 capital ratio of 6% and a minimum total capital ratio of 8%. The capital adequacy ratio is calculated dividing total Group's own funds to the total risk weighted assets (Note 43).

Capital allocation

a) Credit risk: Starting with July 1st, 2009, the method for the risk weighted assets applied by the Group is internal ratings based approach for Raiffeisen Bank non-retail exposures. Starting with December 1st, 2013, Raiffeisen Bank received National Bank of Romania approval for calculating capital requirements for credit risk related to retail portfolio using advanced internal ratings based approach (AIRB). For the subsidiaries portfolios the method used is the standard approach.
b) Market risk: The Group calculates the capital requirements for market risk and for the trading book using the standard model.
c) Operational Risk: Starting with 2010, the Group calculates the capital requirements for operational risk capital using the standard approach.

The Group complies with the regulatory requirements regarding capital adequacy as at 31 December 2020 and 2019, being above the minimum required values. For actual capital ratios, refer to *Note 43*.

6. USE OF ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the given circumstances.

Impairment allowance on loans and advances

The application of the Group's accounting policy requires judgments from the management. The Group assesses on a forward-looking basis the expected credit losses associated with its financial instrument assets carried at amortised cost and FVOCI and with the exposures arising from loan commitments, financial guarantee contracts and leasing receivables. The calculation of expected credit losses requires the use of accounting estimates that do not always match actual results. The amount of impairment to be allocated depends on credit risk parameters such as: PD, LGD and EAD as well as on future-oriented information (economic forecasts) which are estimated by the management.

The impairment of assets accounted for at amortized cost is described in *accounting policy 3j (ix)*.

To determine the impairment allowances sensitivity to changes in risk parameters (adjusted value of real estate collateral, probability of default) underlying provisioning computation, the Group has drawn up the following scenarios:

First scenario assumes changes in loss given default and price guarantees for retail real estate portfolio for the entire portfolio, taking into account a variation of +/-5%. In this scenario the provision for loan impairment loss would have been increased by RON 30,738 thousand (2019: increased by RON 36,004 thousand) or decreased by RON 31,001 thousand (2019: decreased by RON 36,004 thousand).

Second scenario assumes PD variation of +/-5%. In this scenario the provision for loan impairment loss would have been increased by RON 20,835 thousand (2019: increased by 17,483 thousand RON) or decreased by RON 20,809 thousand (2019: decreased by RON 17,360 thousand|).

Third scenario assumes aggregation assumptions of the previous scenarios. In this scenario the provision for loan impairment loss would have been increased by RON 12,966 thousand (2019: increased by RON 13,291 thousand) or decreased by RON 8,650 thousand (2019: decreased by RON 14,383 thousand).

Parameters change by +/-5% is done in relation to the values used in provision calculation for December 2020 figures (December 2019).

Fair value of financial instruments

The fair value of financial instruments that are not traded on an active market (for example, unlisted treasury securities, bonds and certificates of deposit) is determined using valuation techniques. The Group uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at statement of financial position date. The Group has used discounted cash flow analysis for the equity instruments that were not traded in active markets.

Valuation of financial instruments

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 in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;

6. USE OF ESTIMATES AND JUDGMENTS (continued)

- 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 could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group measures fair values mainly using valuation techniques based on observable inputs, i.e. all significant inputs are directly or indirectly observable from market data. Valuation techniques include net present value and discounted cash flow models, as well as other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, bond yields, foreign currency exchange rates, expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognized valuation models for determining the fair value of common and simpler financial instruments, like interest rate and currency swaps, foreign exchange forwards and swaps, that use only observable market data and require little management judgment and estimation.

Observable prices and model inputs are usually available in the market for bonds and simple over the counter derivatives. Availability of these reduces the need for management judgment and estimations and also reduces the uncertainty associated with determination of fair values.

For bonds valuation the Group uses prices or yields which are observable in the market, quotes published by Central Bank or quotes received upon request from third parties.

For more complex instruments, like over the counter foreign exchange options or interest rate options, the Group uses valuation models, which are usually developed from recognized valuation models. These models also use inputs, which are observable in the markets.

The valuation techniques used to determine the fair value of customers' loans and deposits not measured at fair value and disclosed in the notes consider unobservable inputs and assumptions, such as the specific credit risk and contractual characteristics of the portfolios, but also observables inputs, the benchmark interest rates for recent originated portfolios.

The fair value of the unimpaired customer loans was determined based on the cash flows estimated to be generated by the portfolio. These amounts were discounted using the interest rates that would be currently offered to clients for similar products (the available offer as of the valuation date or loans granted during the last 3 months), by considering the characteristics of each loan, namely product type, currency, remaining tenor, interest rate type, customer segmentation and for non-retail clients also risk indicators based on the industry in which they are currently developing their activity. For the products no longer in the Group's offer, and for which no current market (observed interest rates) are available, following assumptions were used: similar products' prevailing margins for discounting, adjusted with the relevant market rate index correspondent to the particular products' currencies, the swap points required for the currency conversion (if applicable) and remaining tenors.

For the impaired loan portfolio, a similar discounted cash flow calculation resulted in a fair value calculation that can be approximated by the net book value.

The fair value of deposits from customers was determined based on the interest rate differential of the current portfolio as of the end of the reporting period and the prevailing interest rates offered by the Bank, during the last three months from the financial period ended. For the term deposits, a discounted cash flows calculation was performed using for discounting the weighted average margins pertaining to the new deposits opened during the last month of the reporting period, based on their specific characteristics like tenors, currencies and client types similar to the structure of the portfolio subject to the fair value calculation and current market yield.

6. USE OF ESTIMATES AND JUDGMENTS (continued)

The fair value of the current accounts and savings accounts from clients was estimated to be equal to the book value, with no evidence of product characteristics requiring a different value than the one currently in accounting books.

For the borrowings, the Group performed a discounted cash flows analysis in order to estimate the fair value. The discount factor consisted of the initially calibrated spread, the liquidity curve at valuation date and the risk free rate at valuation date.

COVID-19

Following the outbreak of the COVID-19 pandemic, many businesses may face liquidity shortages and difficulties in timely payment of their commitments. This has an impact on the credit institutions, as delays in the repayment of the credit obligations may lead to an increase in the non-performing loans on credit institutions' balance sheets.

As a response to the negative impact that the COVID-19 pandemic may have on the banking sector, in Romania the government introduced a legislative moratoria, while also other forms of similar initiatives were offered by the banking sector (private moratoria).

The legislative moratoria, introduced by Government Emergency Ordinance no. 37/2020 offered the bank customers the following conditions:

- the delay in payment of bank installments up to 9 months, but no later than December 31, 2020;
- interest is capitalized for personal consumer loans, while the one related to mortgage is repaid during 60 monthly installments);
- customers could apply for the legislative moratoria until May 15 and later extended to June 15;
- this form of moratoria does not automatically lead to default, in accordance with the EBA Guidelines on legislative and non-legislative moratoria on loan repayments in relation to COVID-19.

At the end of 2020, the Government has extended the legislative moratoria, as required by the Government Emergency Ordinance no. 227/2020. The eligible debtors are those who meet the following criteria:

- Were not granted during 2020 any form of public and / or private moratoria which suspended their installments for a period of nine months. If such a moratoria was granted, the debtor is eligible for the remaining period until a total suspension period of 9 months applied to all forms of moratoria;
- Have their revenues / collections decreased by at least 25%;
- Are not insolvent;
- Do not have any overdue amounts at the date of request.

The deadline for applying to this programme is March 15, 2021.

In addition to the legislative measures, the Bank has implemented internal programmes for payment deferral, for supporting the customers facing liquidity shortages. As of December 31, 2020, the Bank has approved to 33,421 customers a form of payment deferral, out of which 33,071 customers are retail and 350 are non-retail.
The modification loss on the private moratoria is RON 11,577 thousand. No amounts were recognised in relation to the public moratoria, as its impact in the net present value of future cashflows was insignificant (lower than 1% of the outstanding amount).

An additional measure in the national aid package was the approval of a EUR 3 billion package of state guarantees and interest subsidies to support the financing of the SME sector under the IMM INVEST loan facility programme. More specifically, the eligible customers receive grants in the form of interest and fees related to financial year 2020, for the loans originated within this programme. As of 31 December 2020, a number of 2,534 applications have been approved, amounting to financed amounts of RON 1,338 million. The interest and related fees subject to the grant are a integral part of the gross carrying amount of respective loans and as of December 2020, they are in amount of RON 9.8 million. For the expected loss calculation, they are considered as receivables from the government.

6. USE OF ESTIMATES AND JUDGMENTS (continued)

Given the COVID-19 situation, the macro-economic forecast was adjusted four times during 2020, in order to reflect the new economic dynamics; overall, a worsening is shown in the following years, as compared to December 2019 macro-economic forecast.

In order to maintain an adequate provisioning coverage and taking into consideration the one-off unpredictable event (COVID-19), difficult to be modelled given the lack of similar previous events, the Group has followed a conservatory approach with an immediate reaction which consisted of:

1. adding holistic treatment based on industry risk and potential risk of public and private moratorium. Until the end of year, the approach was reviewed and in light of observed data (default events for expired moratoria) it was substituted with a more accurate estimation through on overlay amount/ post model adjustment applied for not expired moratoria for Retail and part of Non-retail portfolio;
2. adjusting in a conservative manner the rating allocation system for public and private moratorium exposures of retail clients; prudent review of the risk classification of non retail clients, considering the impact of COVID crisis, triggering adequate staging.
3. industry classification has been revised, based on the impact of the sanitary crisis on the recovery capacity at industry level. As a result, the Group has identified a potential increase in expected loss in case of specific industries.

Starting with June 2020, all **retail** exposures subject to active public and private moratoria measures for which the measures expired in the reporting month, were classified to Stage 2 using the holistic approach. The impact in Stage 2 provisions was EUR 7.6 million for personal individual loans and EUR 0.6 million for micro loans. After at least one month from the expiration date of public / private moratoria, the exposure was classified based on the regular IFRS 9 criteria. The impact in provisions was revised in September 2020 using observed data (entries in default of already expired moratoria) and the holistic approach was replaced with moratoria overlay, which was designed to estimate with higher accuracy the probability of default for exposures with implemented moratoria measures as of September 2020. The overlay was EUR 11.2 million, out of which EUR 5.8 million for personal individual loans and EUR 5.4 million micro loans, as of December 2020.

For **non-retail**, starting with April 2020, the debtors benefiting from public or private moratoria were initially considered in a higher risk classification. Subsequently, each debtor's credit risk status was assessed throughout the year based on portfolio or standalone analysis. Debtors most affected by the Covid situation were transferred to stage 2 and subject to lifetime expected credit loss calculation. As of December 2020, a potential credit risk deterioration of the portfolio was estimated for the SMB customers with active moratoria, considering the expected difficulties in meeting their financial obligations toward the Bank after the expiration of the moratoria option, as indicated by the data collected by the Bank. As a consequence, a Post Model Adjustment of EUR 0.8 million was implemented. The overall level of impairment in Stage 1 and 2, related to customers that benefited from moratoria increased during 2020 by EUR 4.1 million (SMB post model adjustment of EUR 0.8 million included) and it was triggered by the significant increase in the individual credit risk of debtors and the estimated retarded default effect of moratoria. On-balance sheet exposures for clients having moratoria and entered in default in 2020 was in amount of EUR 5.1 million.

The cumulated effect during 2020 for the measures described above and the update of the macro-economic forecast is an increase by EUR 23 million (which represents RON 111,253 thousand) in provision amount for retail exposures and an increase by EUR 23 million (which represents RON 111,253 thousand) in provision amount for non-retail portfolio.

7. FINANCIAL ASSETS AND LIABILITIES

The table below analyses financial instruments at fair value and at carrying amount by using the valuation methods described in *note 6*:

Group

In RON thousand	Note	Level 1	Level 2	Level 3	Total	Carrying amount
31 December 2020						
Assets						
Financial instruments measured at fair value						
Trading assets, out of which:	18	330,076	24,195	-	**354,271**	**354,271**
Debt securities		*330,076*	-	-	*330,076*	*330,076*
Foreign exchange contracts		-	*21,857*	-	*21,857*	*21,857*
Interest rate swaps		-	*2,338*	-	*2,338*	*2,338*
Derivative assets held for risk management	19	-	729	-	**729**	**729**
Financial assets mandatorily at fair value through profit or loss, out of which:	26	14,701	24,995	354,151	**393,847**	**393,847**
Loans and advances to customers		-	-	*354,151*	*354,151*	*354,151*
Debt instruments issued by financial institutions		*14,701*	*24,995*	-	*39,696*	*39,696*
Investment securities at fair value through other comprehensive income, out of which:	22	2,880,739	331,789	-	**3,212,528**	**3,212,528**
Bonds issued by the Government of Romania		*2,841,071*	-	-	*2,841,071*	*2,841,071*
Bonds issued by credit institutions		*39,668*	-	-	*39,668*	*39,668*
Bonds issued by public sector		-	*331,789*	-	*331,789*	*331,789*
Equity instruments at fair value through other comprehensive income	23	33,311	-	11,678	**44,989**	**44,989**
Fair value changes of the hedged items-hedge accounting	27	-	10,449	-	**10,449**	**10,449**
Financial instruments for which fair value is disclosed						
Cash and cash wih Central Bank	17	10,854,199	-	-	**10,854,199**	**10,854,199**
Loans and advances to banks at amortised cost	20	972,059	-	-	**972,059**	**972,059**
Loans and advances to customers at amortised cost	21	-	-	29,915,555	**29,915,555**	**28,773,060**
Investment securities at amortised cost	24	6,343,829	4,685	-	**6,348,514**	**6,095,709**
Other assets	28	-	-	241,044	**241,044**	**241,044**
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	-	23,393	-	**23,393**	**23,393**
Derivative liabilities held for risk management	19	-	15,971	-	**15,971**	**15,971**
Derivatives – hedge accounting	27	-	21,488	-	**21,488**	**21,488**
Financial instruments for which fair value is disclosed						
Deposits from banks	32	338,463	-	-	**338,463**	**338,463**
Deposits from customers	33	-	-	43,553,235	**43,553,235**	**43,553,033**
Loans from banks and other financial institutions	34	-	-	432,598	**432,598**	**432,178**
Debt securities issued	34	-	480,962	-	**480,962**	**480,092**
Subordinated liabilities	34	-	-	449,371	**449,371**	**416,326**
Other liabilities	35	-	-	912,811	**912,811**	**912,811**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

The table below analyses financial instruments at fair value and at carrying amount by using the valuation methods described in note 6:

In RON thousand	Note	Level 1	Level 2	Level 3	Total	Carrying amount
31 December 2019						
Assets						
Financial instruments measured at fair value						
Trading assets	18	393,461	9,470	-	**402,931**	**402,931**
out of which:						
Debt securities		393,461	-	-	**393,461**	**393,461**
Foreign exchange contracts		-	6,019	-	**6,019**	**6,019**
Interest rate swaps		-	3,451	-	**3,451**	**3,451**
Derivative assets held for risk management	19	-	8,843	-	**8,843**	**8,843**
Financial assets mandatorily at fair value through profit or loss	26	-	-	363,525	**363,525**	**363,525**
Investment securities at fair value through other comprehensive income	22	1,944,309	453,852	-	**2,398,161**	**2,398,161**
Equity instruments at fair value through other comprehensive income	23	-	49,228	12,674	**61,902**	**61,902**
Fair value changes of the hedged items-hedge accounting	27	-	3,204	-	**3,204**	**3,204**
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	6,506,880	-	-	**6,506,880**	**6,506,880**
Loans and advances to banks at amortised cost	20	204,500	-	-	**204,500**	**207,307**
Loans and advances to customers at amortised cost	21	-	-	27,973,986	**27,973,986**	**27,593,634**
Investment securities at amortised cost	24	5,038,060	-	-	**5.038,060**	**4,952,776**
Other assets	28	-	-	323,287	**323,287**	**323,287**
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	-	15,091	-	**15,091**	**15,091**
Derivative liabilities held for risk management	19	-	25,304	-	**25,304**	**25,304**
Derivatives – hedge accounting	27		3,497	-	**3,497**	**3,497**
Financial instruments for which fair value is disclosed						
Deposits from banks	32	308,670	-	-	**308,670**	**308,670**
Deposits from customers	33	-	-	35,763,736	**35,763,736**	**36,108,826**
Loans from banks and other financial institutions	34	-	-	512,167	**512,167**	**512,962**
Debt securities issued	34	-	480,617	-	**480,617**	**480,617**
Subordinated liabilities	34	-	-	409,049	**409,049**	**408,645**
Other liabilities	35	-	-	914,721	**914,721**	**914,721**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

The table below analyses financial instruments at fair value and at carrying amount by using the valuation methods described in note 6:

Bank

In RON thousand	Note	Level 1	Level 2	Level 3	Total	Carrying amount
31 December 2020						
Assets						
Financial instruments measured at fair value						
Trading assets, out of which:	18	330,076	24,195	-	**354,271**	**354,271**
Debt securities		*330,076*	-	-	*330,076*	*330,076*
Foreign exchange contracts		-	*21,857*	-	*21,857*	*21,857*
Interest rate swaps		-	*2,338*	-	*2,338*	*2,338*
Derivative assets held for risk management	19	-	729	-	**729**	**729**
Financial assets mandatorily at fair value through profit or loss, out of which:	26	-	24,995	354,151	**379,146**	**379,146**
Loans and advances to customers		-	-	*354,151*	*354,151*	*354,151*
Debt instruments issued by financial institutions		-	*24,995*	-	*24,995*	*24,995*
Investment securities at fair value through other comprehensive income, out of which:	22	2,819,095	331,789	-	**3,150,884**	**3,150,884**
Bonds issued by the Government of Romania		*2,779,427*	-	-	*2,779,427*	*2,779,427*
Bonds issued by credit institutions		*39,668*			*39,668*	*39,668*
Bonds issued by other public sector		-	*331,789*	-	*331,789*	*331,789*
Equity instruments at fair value through other comprehensive income	23	33,311	-	11,678	**44,989**	**44,989**
Fair value changes of the hedged items-Hedge accounting	27	-	10,449	-	**10,449**	**10,449**
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	10,853,779	-	-	**10,853,779**	**10,853,779**
Loans and advances to banks at amortised cost	20	971,166	-	-	**971,166**	**971,166**
Loans and advances to customers at amortised cost	21	-	-	29,363,346	**29,363,346**	**28,220,851**
Investment securities at amortised cost	24	6,161,220	-	-	**6,161,220**	**5,912,605**
Other assets	28	-	-	229,206	**229,206**	**229,206**
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	-	23,393	-	**23,393**	**23,393**
Derivative liabilities held for risk management	19	-	15,971	-	**15,971**	**15,971**
Derivatives – Hedge accounting	27	-	21,488	-	**21,488**	**21,488**
Financial instruments for which fair value is disclosed						
Deposits from banks	32	338,463	-	-	**338,463**	**338,463**
Deposits from customers	33	-	-	43,395,129	**43,395,129**	**43,394,928**
Loans from banks and other financial institutions	34	-	-	18,077	**18,077**	**17,657**
Debt securities issued	34	-	480,962	-	**480,962**	**480,092**
Subordinated liabilities	34	-	-	449,371	**449,371**	**416,326**
Other liabilities	35	-	-	901,491	**901,491**	**901,491**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

The table below analyses financial instruments by using the valuation methods described in note 6:

In RON thousand	Note	Level 1	Level 2	Level 3	Total	Carrying amount
31 December 2019						
Assets						
Financial instruments measured at fair value						
Trading assets	18	393,461	9,470	-	**402,931**	**402,931**
out of which:						
Debt securities		393,461	-	-	**393,461**	**393,461**
Foreign exchange contracts		-	6,019	-	**6,019**	**6,019**
Interest rate swaps		-	3,451	-	**3,451**	**3,451**
Derivative assets held for risk management	19	-	8,843	-	**8,843**	**8,843**
Financial assets mandatorily at fair value through profit or loss	26	-	-	343,625	**343,625**	**343,625**
Investment securities at fair value through other comprehensive income	22	1,872,519	453,852	-	**2,326,371**	**2,326,371**
Equity instruments at fair value through other comprehensive income	23	-	49,228	12,674	**61,902**	**61,902**
Fair value changes of the hedged items-Hedge accounting	27		3,204	-	**3,204**	**3,204**
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	6,506,056	-	-	**6,506,056**	**6,506,056**
Loans and advances to banks at amortised cost	20	201,002	-	-	**201,002**	**201,002**
Loans and advances to customers at amortised cost	21	-	-	27,434,566	**27,434,566**	**26,961,414**
Investment securities at amortised cost	24	4,759,516	-	-	**4,759,516**	**4,674,232**
Other assets	28	-	-	293,554	**293,554**	**293,554**
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	-	15,091	-	**15,091**	**15,091**
Derivative liabilities held for risk management	19	-	25,304	-	**25,304**	**25,304**
Derivatives – Hedge accounting	27		3,497	-	**3,497**	**3,497**
Financial instruments for which fair value is disclosed						
Deposits from banks	32	308,670	-	-	**308,670**	**308,670**
Deposits from customers	33	-	-	35,781,293	**35,781,293**	**35,802,310**
Loans from banks and other financial institutions	34	-	-	41,474	**41,474**	**42,269**
Debt securities issued	34	-	480,617	-	**480,617**	**480,617**
Subordinated liabilities	34	-	-	409,049	**409,049**	**408,645**
Other liabilities	35	-	-	903,597	**903,597**	**903,597**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

The below table presents the measurements categories for financial instruments:

Group *In RON thousand* **31 December 2020**	**Note**	**Held for trading**	**Mandatorily at fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortised cost**	**Total carrying amount**	**Fair value**
Financial assets							
Cash and cash with Central Bank	17	-	-	-	10,854,199	10,854,199	10,854,199
Trading assets	18	354,271	-	-	-	354,271	354,271
Derivative assets held for risk management	19	729	-	-	-	729	729
Financial assets mandatorily at fair value through profit or loss	26	-	393,847	-	-	393,847	393,847
Loans and advances to banks at amortised cost	20	-	-	-	972,059	972,059	972,059
Loans and advances to customers at amortised cost	21	-	-	-	28,773,060	28,773,060	29,915,555
Investment securities	22,24	-	-	3,257,517	6,095,709	9,353,226	9,606,031
Fair value changes of the hedged items-Hedge accounting	27	10,449	-	-	-	10,449	10,449
Other assets	28				241,044	241,044	241,044
Total financial assets		**365,449**	**393,847**	**3,257,517**	**46,936,071**	**50,952,884**	**52,348,184**
Financial liabilities							
Trading liabilities	18	23,393	-	-	-	23,393	23,393
Derivative liabilities held for risk management	19	15,971	-	-	-	15,971	15,971
Derivatives – Hedge accounting	27	21,488	-	-	-	21,488	21,488
Deposits from banks	32	-	-	-	338,463	338,463	338,463
Deposits from customers	33	-	-	-	43,553,033	43,553,033	43,553,235
Loans from banks and other financial institutions	34	-	-	-	432,178	432,178	432,598
Debt securities issued	34	-	-	-	480,092	480,092	480,962
Subordinated liabilities	34	-	-	-	416,326	416,326	449,371
Other liabilities	35	-	-	-	912,811	912,811	912,811
Total financial liabilities		**60,852**	**-**	**-**	**46,132,903**	**46,193,755**	**46,228,292**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

The below table presents the measurements categories for financial instruments:

Group *In RON thousand* **31 December 2019**	**Note**	**Held for trading**	**Mandatorily at fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortised cost**	**Total carrying amount**	**Fair value**
Financial assets							
Cash and cash with Central Bank	17	-	-	-	6,506,880	6,506,880	6,506,880
Trading assets	18	402,931	-	-	-	402,931	402,931
Derivative assets held for risk management	19	8,843	-	-	-	8,843	8,843
Financial assets mandatorily at fair value through profit or loss	26	-	363,525	-	-	363,525	363,525
Loans and advances to banks at amortised cost	20	-	-	-	207,307	207,307	204,500
Loans and advances to customers at amortised cost	21	-	-	-	27,593,634	27,593,634	27,973,986
Fair value changes of the hedged items-Hedge accounting	27	3,204	-	-	-	3,204	3,204
Investment securities	22,24	-	-	2,460,062	4,952,777	7,412,838	7,498,170
Other assets	28	-	-	-	323,287	323,287	323,287
Total financial assets		**414,978**	**363,525**	**2,460,062**	**39,583,885**	**42,822,449**	**43,285,326**
Financial liabilities							
Trading liabilities	18	15,091	-	-	-	15,091	15,091
Derivative liabilities held for risk management	19	25,304	-	-	-	25,304	25,304
Derivatives – Hedge accounting	27	3,497	-	-	-	3,497	3,497
Deposits from banks	32	-	-	-	308,670	308,670	308,670
Deposits from customers	33	-	-	-	36,108,826	36,108,826	35,763,736
Loans from banks and other financial institutions	34	-	-	-	512,962	512,962	512,167
Debt securities issued	34	-	-	-	480,617	480,617	480,617
Subordinated liabilities	34	-	-	-	408,645	408,645	409,049
Other liabilities	35	-	-	-	914,721	914,721	914,721
Total financial liabilities		**43,892**	**-**	**-**	**38,734,441**	**38,778,333**	**38,432,852**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

The below table presents the measurements categories for financial instruments:

Bank *In RON thousand* **31 December 2020**	Note	Held for trading	Mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Financial assets							
Cash and cash with Central Bank	17	-	-	-	10,853,779	10,853,779	10,853,779
Trading assets	18	354,271	-	-	-	354,271	354,271
Derivative assets held for risk management	19	729		-	-	729	729
Financial assets mandatorily at fair value through profit or loss	26	-	379,146	-		379,146	379,146
Loans and advances to banks at amortised cost	20	-		-	971,166	971,166	971,166
Loans and advances to customers at amortised cost	21	-		-	28,220,851	28,220,851	29,363,346
Investment securities	22,24	-		3,195,873	5,912,605	9,108,478	9,357,093
Fair value changes of the hedged items-Hedge accounting	27	10,449		-	-	10,449	10,449
Other assets	28	-	-	-	229,206	229,206	229,206
Total financial assets		**365,449**	**379,146**	**3,195,873**	**46,187,607**	**50,128,075**	**51,519,185**
Financial liabilities	18						
Trading liabilities	19	23,393		-	-	23,393	23,393
Derivative liabilities held for risk management	27	15,971		-	-	15,971	15,971
Derivatives – Hedge accounting	32	21,488		-	-	21,488	21,488
Deposits from banks	33	-		-	338,463	338,463	338,463
Deposits from customers	34	-		-	43,394,928	43,394,928	43,395,129
Loans from banks and other financial institutions	34	-		-	17,657	17,657	18,077
Debt securities issued	34	-		-	480,092	480,092	480,962
Subordinated liabilities	35	-		-	416,326	416,326	449,371
Other liabilities	17				901,491	901,491	901,491
Total financial liabilities		**60,852**	**-**	**-**	**45,548,957**	**45,609,809**	**45,644,345**

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7. FINANCIAL ASSETS AND LIABILITIES (continued)

The below table presents the measurements categories for financial instruments:

Bank *In RON thousand* **31 December 2019**	**Note**	**Held for trading**	**Mandatorily at fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortised cost**	**Total carrying amount**	**Fair value**
Financial assets							
Cash and cash with Central Bank	17	-	-	-	6,506,056	6,506,056	6,506,056
Trading assets	18	402,931	-	-	-	402,931	402,931
Derivative assets held for risk management	19	8,843	-	-	-	8,843	8,843
Financial assets mandatorily at fair value through profit or loss	26	-	343,625	-	-	343,625	343,625
Loans and advances to banks at amortised cost	20	-	-	-	201,002	201,002	201,002
Loans and advances to customers at amortised cost	21	-	-	-	26,961,414	26,961,414	27,434,566
Fair value changes of the hedged items-Hedge accounting	27	3,204	-	-	-	3,204	3,204
Investment securities	22,24	-	-	2,388,273	4,674,232	7,062,505	7,147,788
Other assets	28	-	-	-	293.554	293.554	293.554
Total financial assets		**414,978**	**343,625**	**2,388,273**	**38,636,258**	**41,783,134**	**42,341,569**
Financial liabilities	18						
Trading liabilities	19	15,091	-	-	-	15,091	15,091
Derivative liabilities held for risk management	27	25,304	-	-	-	25,304	25,304
Derivatives – Hedge accounting	32	3,497	-	-	-	3,497	3,497
Deposits from banks	33	-	-	-	308,670	308,670	308,670
Deposits from customers	34	-	-	-	35,802,310	35,802,310	35,781,293
Loans from banks and other financial institutions	34	-	-	-	42,269	42,269	41,474
Debt securities issued	34	-	-	-	480,617	480,617	480,617
Subordinated liabilities	35	-	-	-	408,645	408,645	409,049
Other liabilities	17	-	-	-	903,597	903,597	903,597
Total financial liabilities		**43,892**	**-**	**-**	**37,946,108**	**37,990,000**	**37,968,592**

8. NET INTEREST INCOME

	Group		Bank	
	2020	2019	2020	2019
In RON thousand				
Interest income				
Interest and similar income arising from:				
Current accounts and loans and advances to banks	11,928	18,987	11,938	19,009
Loans and advances to customers *(i)*	1,620,527	1,682,293	1,621,914	1,684,668
Investments measured at fair value through other comprehensive income	76,494	76,055	74,143	75,216
Investments securities measured at amortised cost	174,681	98,859	165,889	91,933
Negative interest on financial liabilities	53	120	53	120
Total interest income computed using effective interest rate	**1,883,683**	**1,876,314**	**1,873,937**	**1,870,946**
Finance leasing activity	41,276	44,527	-	-
Total interest income	**1,924,959**	**1,920,841**	**1,873,937**	**1,870,946**
Interest expense and similar charges				
Interest expense and similar charges arising from:				
Deposits from banks	(9,255)	(5,974)	(9.255)	(5,974)
Deposits from customers	(92,072)	(81,305)	(88.765)	(78,969)
Debt securities issued	-	(10,054)	-	(10,054)
Loans from banks and subordinated liabilities	(51,597)	(49,891)	(46.516)	(42,603)
Leasing	(3,388)	(3,742)	(3.255)	(3,633)
Negative interest on financial assets	(19,000)	(10,571)	(19.000)	(10,571)
Total interest expense	**(175,312)**	**(161,537)**	**(166.791)**	**(151,804)**
Net interest income	**1,749,647**	**1,759,304**	**1.707.146**	**1,719,142**

(i) The amount of interest income from impaired loans amounts to RON 28,244 thousand (31 December 2019: RON 30,638 thousand).

9. NET FEE AND COMMISSION INCOME

In RON thousand	Group 2020	Group 2019	Bank 2020	Bank 2019
Fee and commission income				
Transactions from payments transfer business	620,239	645,555	620,239	645,555
Loans administration and guarantee issuance	63,577	67,491	62,559	66,700
Asset management fee (i)	38,431	46,724	-	-
Commissions from insurance premium collections(ii)	51,827	49,314	51,827	49,314
Finance leasing activity	9,362	9,507	-	-
Commissions for buying/selling cash	1,460	2,400	1,460	2,401
Other (iii)	19,449	14,425	25,515	19,401
Total fee and commission income	**804,345**	**835,416**	**761,600**	**783,371**
Fees and commissions expense				
Commissions for payment transfers	(267,579)	(236,034)	(267,635)	(236,034)
Loan and guarantees received from banks	(8,308)	(12,790)	(8,308)	(12,790)
For transactions with investment securities	(1,100)	(2,738)	(930)	(785)
Other	28	(112)	-	-
Total fee and commission expense	**(277,015)**	**(251,674)**	**(276,873)**	**(249,609)**
Net fee and commission income	**527,330**	**583,742**	**484,727**	**533,762**

(i) The caption "Asset management fees" includes fees obtained by Raiffeisen Asset Management S.A. from its customers and are based on the value of assets under management.

(ii) The caption “Commissions from insurance premium collections” represents fees earned by the Bank for the intermediation of insurance policies between its customers and insurance companies.

(iii) Under "Other", the Group records mainly fees for its custody activity.

10. NET TRADING INCOME

In RON thousand	Group 2020	Group 2019	Bank 2020	Bank 2019
Net trading income from:				
Currency based instruments (i), out of which:	324,688	336,666	325,001	336,581
▪ Gain/(loss) from foreign exchange derivative transactions	(3,654)	(17,254)	(3,654)	(17,212)
▪ Net gain on revaluation of monetary assets and foreign currency transactions	328,342	353,920	328,655	353,793
Interest rate instruments (ii), out of which:	8,754	(3,854)	8,754	(3,854)
▪ Net trading result from government securities and corporate debt securities	17,026	10,205	17,026	10,205
▪ Interest rate swaps gain/(loss)	(8,272)	(14,059)	(8,272)	(14,059)
Net trading income	**333,442**	**332,812**	**333,755**	**332,727**

(i) Net foreign exchange income from currency based transactions includes gains and losses from spot and forward contracts, money market instruments, currency swaps and from the translation of foreign currency assets and liabilities. Foreign exchange loss generated by instruments mandatorily at fair value through profit and loss are in amount of RON 1,246 thousand (2019: a gain in amount of RON 3,036 thousand)

(ii) Net trading income from interest rate instruments includes the net result on trading in government securities, corporate debt securities and interest rate swaps.

11. OTHER OPERATING INCOME

In RON thousand	Group 2020	Group 2019	Bank 2020	Bank 2019
Revenues from additional leasing services	1,695	3,525	-	-
Reversal of other provisions	-	2,111	-	2,015
Dividend income	1,696	1,665	41,447	7,460
Revenues from IT services	2,374	2,306	2,374	2,306
Income from repossessed assets	600	585	600	585
Sundry income *(i)*	18,677	15,501	18,413	17,343
Total	**25,042**	**25,693**	**62,834**	**29,709**

(i) In "sundry income" position, the Group includes revenues from: incentives received from its partners from cards usage, various recoveries on sundry debtors previously written-off, liabilities of the Bank which reached the prescription term and were derecognised etc.

12. OPERATING EXPENSES

In RON thousand	Group 2020	Group 2019	Bank 2020	Bank 2019
Office space expenses *(i)*	65,710	60,268	64,450	59,308
IT repairs and maintenance	113,775	99,819	109,053	97,428
Depreciation and amortization	231,836	230,119	228,834	228,379
Bank levies *(ii)*	-	47,000	-	47,000
Deposit insurance fees *(iii)*	13,236	39,535	13,236	39,535
Resolution fund fee *(iv)*	31,417	18,430	31,242	18,430
Security expenses	94,752	97,216	94,742	97,188
Advertising	67,430	79,626	66,074	77,990
Charge of litigation provision *(v)*	52,418	70,945	52,418	70,945
Legal, advisory and consulting expenses	64,739	57,590	62,873	55,141
Postal and telecommunication expenses	52,555	38,687	52,140	38,163
Office supplies	32,734	24,614	32,570	24,467
Sundry operating expenses	21,250	22,424	17,184	19,199
Charge of other provisions	47,269	27,545	40,503	25,666
Training expenses for staff	9,754	21,563	9,637	21,277
Travelling expenses	(363)	1,337	(455)	1,068
Transport costs	5,178	4,276	4,783	3,813
Other taxes	5,374	7,228	3,603	5,407
Total	**909,064**	**948,222**	**882,887**	**930,404**

(i) The amounts under "Office space expenses" include mainly cleaning, security expenses and the VAT related to the rental paid invoices.

(ii) The banking tax is applicable for 2019 financial year. The basis of calculation represents the net financial assets balance at the end of the semester / year, less certain asset classes (such as cash, non-performing exposures etc). The tax was further reduced based on meeting the benchmark regarding the increase in the loan portfolio balance. The accounting treatment, according to IFRIC 21 requires that the expense is recognised one-off on 31 December, while the amount paid for the semester is recognised as "advance payment".

12. OPERATING EXPENSES (continued)

(iii) The Bank pays annually contributions to the Bank Deposit Guarantee Fund for guaranteed deposits. Guaranteed deposits represent any credit balance, including the due interest, which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution must repay in the legal and contractual conditions applicable. Examples of guaranteed deposits are: time deposits, current accounts, savings accounts, debit/credit card accounts.

(iv) The Bank pays contribution to resolution fund for liabilities not covered, respectively for liabilities (excluding own funds) less covered deposits. The liability to pay these levies is recognized when they become constructive. In this case, the obligation arises annually on January 1, as the Bank performs activities related to deposits received.

The expense with deposit insurance fees and resolution fund fee is recognised in the year when paid.

(v) Under the caption "Charge of litigation provision" the Group presents the expense with legal disputes, as further disclosed in *note 36 Provisions*.

Group: The expense with statutory audit of financial statements as at December 31, 2020 was in amount of RON 1,433 thousand (December 31, 2019: RON 947 thousand), the expense with assurance services as at December 31, 2020 was in amount of RON 218 thousand (December 31, 2019: RON 852 thousand), and the expense with non-assurance services as at December 31, 2020 was in amount of RON 205 thousand (December 31, 2019: RON 604 thousand).

Bank: The expense with statutory audit of financial statements as at December 31, 2020 was in amount of RON 1,177 thousand (December 31, 2019: RON 749 thousand), the expense with assurance services as at December 31, 2020 was in amount of RON 76 thousand (December 31, 2019: RON 701 thousand), and the expense with non-assurance services as at December 31, 2020 was in amount of RON 206 thousand (December 31, 2019: RON 604 thousand).

13. PERSONNEL EXPENSE

In RON thousand	**Group**		**Bank**	
	2020	**2019**	**2020**	**2019**
Salary expense (i)	607,715	561,212	579,696	536,742
Social contributions	18,453	18,474	17,781	17,671
Other staff expenses	37,163	25,065	36,191	24,140
Long term employee benefits (ii)	2,945	3,270	2,874	3,217
Total	**666,276**	**608,021**	**636,542**	**581,770**

i. Out of the total salary expense, the Group has recorded in 2020 RON 3,965 thousand, representing contribution for employees to Pillar 3 pension plan (2019: RON 4,123 thousand).
ii) The long term benefits for employees also include the provision for benefits granted on retirement as a one-off compensation and deferred performance bonus.

The number of employees at Group level as at 31 December 2020 was 5,013 (31 December 2019: 4,962). The number of employees at Bank level as at 31 December 2020 was 4.935 (31 December 2019: 4,845).

14. NET PROVISIONING FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Group	31 December 2020						
In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	of which POCI stage 2	of which POCI stage 3	Total
Non-retail							
Loans and advances to banks at amortised cost	2	-	-	-	-	-	2
Loans and advances to customers at amortised cost	19,400	97,018	-	(12,779)	(1,746)	(9,815)	103,639
Loan commitments and financial guarantees	16,761	4,293	-	2,346	-	-	23,400
Investment in subsidiaries, associates and joint ventures	-	-	-	(2,686)	-	-	(2,686)
Investment securities at amortised cost	923		-	-	-	-	923
Loans written-off	68	37	-	448	-	-	553
Recoveries from loans and advances to customers	-	-	-	(6,118)			(6,118)
Total non-retail	**37,154**	**101,348**	**-**	**(18,789)**	**(1,746)**	**(9,815)**	**119,713**
Retail							
Loans and advances to customers at amortised cost	36,563	36,698	116,801	-	2,778	(6,108)	190,062
Loan commitments and financial guarantees	(663)	212	2,156	-	-	-	1,705
Loans written-off	0	4,252	29,195	-	-	-	33,447
Recoveries from loans and advances to customers	-	-	(29,397)	-	-	-	(29,397)
Total retail	**35,900**	**41,162**	**118,755**	**-**	**2,778**	**(6,108)**	**195,817**

Group	31 December 2019						
In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	of which POCI stage 2	of which POCI stage 3	Total
Non-retail							
Loans and advances to banks at amortised cost	2	-	-	-	-	-	2
Loans and advances to customers at amortised cost	159	8,271	-	34,703	791	(9,815)	43,133
Loan commitments and financial guarantees	(709)	4,352	-	(1,425)	-	-	2,218
Investment securities at amortised cost	114	-	-	-	-	-	114
Loans written-off	86	20	-	9,830	-	-	9,936
Recoveries from loans and advances to customers	-	-	-	(6,834)	-	-	(6,834)
Total non-retail	**(348)**	**12,643**	**-**	**36,274**	**791**	**(9,815)**	**48,569**
Retail							
Loans and advances to customers at amortised cost	42,183	(39,490)	153,549	-	3,331	(39,934)	156,242
Loan commitments and financial guarantees	552	(1,319)	5,696	-	-	-	4,929
Loans written-off	86	3,648	47,528	-	-	-	51,262
Recoveries from loans and advances to customers	-	-	(84,573)	-	-	-	(84,573)
Total retail	**42,821**	**(37,161)**	**122,200**	**-**	**3,331**	**(39,934)**	**127,860**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

14. NET PROVISIONING FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS (continued)

Bank	**31 December 2020**						
In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Non-retail							
Loans and advances to banks at amortised cost	2	-	-	-	-	-	2
Loans and advances to customers at amortised cost	17,074	91,347	-	(16,564)	(1,746)	(9,815)	91,857
Loan commitments and financial guarantees	16,761	4,293	-	2,346	-	-	23,400
Investment in subsidiaries, associates and joint ventures	-	-	-	17,686	-	-	17,686
Investment securities at amortised cost	923		-	-	-	-	923
Loans written-off	68	37	-	448	-	-	553
Recoveries from loans and advances to customers	-	-	-	(6,118)			(6,118)
Total non-retail	**34,828**	**95,677**	**-**	**(2,202)**	**(1,746)**	**(9,815)**	**128,303**
Retail							
Loans and advances to customers at amortised cost	35,824	36,541	114,502	-	2,778	(6,108)	186,867
Loan commitments and financial guarantees	(663)	212	2,156	-			1,705
Loans written-off	0	4,252	29,195	-	-	-	33,447
Recoveries from loans and advances to customers	-	-	(28,958)	-			(28,958)
Total retail	**35,161**	**41,005**	**116,895**	**-**	**2,778**	**(6,108)**	**193,061**

Bank	**31 December 2019**						
In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Non-retail							
Loans and advances to banks at amortised cost	2	-	-	-	-	-	2
Investment in subsidiaries, associates and joint ventures	-	-	-	16,868	-	-	16,868
Loans and advances to customers at amortised cost	1,600	8,817	-	32,098	791	(9,815)	42,515
Loan commitments and financial guarantees	(709)	4,352	-	(1,425)	-	-	2,218
Investment securities at amortised cost	114	0	-	-	-	-	114
Loans written-off	86	20	-	5,152	-	-	5,258
Recoveries from loans and advances to customers	0	0	-	(6,753)	-	-	(6,753)
Total non-retail	**1,093**	**13,189**	**0**	**45,940**	**791**	**(9,815)**	**60,222**
Retail							
Loans and advances to customers at amortised cost	42,174	(39,488)	152,774	-	3,331	(39,934)	155,460
Loan commitments and financial guarantees	552	(1,319)	5,696	-	-	-	4,929
Loans written-off	86	3,648	47,528	-	-	-	51,262
Recoveries from loans and advances to customers	0	0	(84,833)	-	-	-	(84,833)
Total retail	**42,812**	**(37,159)**	**121,165**	**-**	**3,331**	**(39,934)**	**126,818**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in "Stage 2", but remain to be accounted for as POCI as required by IFRS 9.

14. NET PROVISIONING FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS (continued)

The contractual amount outstanding on credit exposures that were written off and are still subject to enforcement activity during the period as of 31 December 2020 is RON 121,194 thousand (31 December 2019: RON 274,268 thousand), out of which non-retail exposures in amount of RON 41,563 thousand (31 December 2019: RON 180,656 thousand) and retail exposures in amount of RON 79,632 thousand (31 December 2019: RON 93,612 thousand).

15. INCOME TAX EXPENSE

Group

	Group		Bank	
In RON thousand	2020	2019	2020	2019
Current tax expenses at 16% (2019:16%) of taxable profits determined in accordance with Romanian law	141,747	193,569	134,410	185,453
Adjustments recognized in the period for current tax of prior periods	515	(9,196)	515	(9,196)
Deferred tax expense / (income) (Note 29)	(8,088)	3,297	(5,445)	4,120
Total	**134,174**	**187,670**	**129,480**	**180,377**

16. RECONCILIATION OF INCOME BEFORE TAX WITH THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group		Bank	
In RON thousand	2020	2019	2020	2019
Gross profit before tax	770,782	1,022,380	773,619	959,832
Taxation at statutory rate of 16% (2019: 16%)	**123,325**	**163,581**	**123,779**	**153,573**
Non-deductible expenses	64,696	69,312	55,406	68,176
Non-taxable revenues	(27,209)	(27,864)	(26,140)	(25,027)
Corporate income tax before fiscal credit	**160,812**	**205,029**	**153,045**	**196,722**
Fiscal credit	(19,065)	(11,460)	(18,635)	(11,269)
Adjustments recognized in the period for current tax of prior periods *(i)*	515	(9,196)	515	(9,196)
Corporate income tax	**142,262**	**184,373**	**134,925**	**176,257**
Deferred tax expense / (income)	(8,088)	3,297	(5,445)	4,120
Income tax expense	**134,174**	**187,670**	**129,480**	**180,377**

(i) The adjustments recognized in the period for current tax of prior periods represent corrections on income tax statement related to prior year and which were booked in accounting after the closing process of the respective year.

The main non-taxable income is from reversal of provisions and dividends received. Non-deductible expenses are from provisions, sponsorships, accruals and other non-deductible expenses according to the Fiscal Code.

17. CASH AND CASH WITH CENTRAL BANK

	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
In RON thousand				
Cash on hand	6,504,154	2,701,387	6,503,734	2,700,563
Minimum compulsory reserve	4,350,045	3,805,493	4,350,045	3,805,493
Total	**10,854,199**	**6,506,880**	**10,853,779**	**6,506,056**

The Bank maintains with the National Bank of Romania the minimum compulsory reserve established under Regulation no. 6/2002 issued by the National Bank of Romania, with subsequent amendments and addendums. As of 31 December 2019, the mandatory minimum reserve ratio was 8% (31 December 2019: 8%) for funds raised in RON and 5% (December 31, 2019: 8%) 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, compulsory minimum reserve ratio was set at 0% (31 December 2019: 0%).

The minimum compulsory reserve can be used by the Group for daily activities but under the condition that the monthly average balance of the minimum compulsory reserve is kept within the legal limits.

18. TRADING ASSETS / LIABILITIES

	Group		Bank	
In RON thousand	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Trading assets				
Debt instruments	330,076	393,461	330,076	393,461
Derivative financial instruments	24,195	9,470	24,195	9,470
Total	**354,271**	**402,931**	**354,271**	**402,931**
Trading liabilities				
Derivative financial instruments	23,393	15,091	23,393	15,091
Total	**23,393**	**15,091**	**23,393**	**15,091**

19. DERIVATIVES HELD FOR RISK MANAGEMENT

Group

31 December 2020

In RON thousand	Notional buy	Notional sell	Fair value Assets	Fair value Liabilities
OTC products:				
Cross currency Interest rate swaps	55,464	55,464	677	650
FX swap	1,080,005	1,087,273	42	8,135
Interest rate swaps	193,082	193,082	10	7,186
Total			**729**	**15,971**

31 December 2019

In RON thousand	Notional buy	Notional sell	Fair value Assets	Fair value Liabilities
OTC products:				
Cross currency Interest rate swaps	150,023	140,687	8,282	533
FX swap	1,609,448	1,618,183	561	9,619
Interest rate swaps	99,083	99,083	-	15,152
Total			**8,843**	**25,304**

Bank

31 December 2020

In RON thousand	Notional buy	Notional sell	Fair value Assets	Fair value Liabilities
OTC products:				
Cross currency Interest rate swaps	55,464	55,464	677	650
FX swap	1,080,005	1,087,273	42	8,135
Interest rate swaps	193,082	193,082	10	7,186
Total			**729**	**15,971**

31 December 2019

In RON thousand	Notional buy	Notional sell	Fair value Assets	Fair value Liabilities
OTC products:				
Cross currency Interest rate swaps	150,023	140,687	8,282	533
FX swap	1,609,448	1,618,183	561	9,619
Interest rate swaps	99,083	99,083	-	15,152
Total			**8,843**	**25,304**

FX swap contracts are used by the bank mainly for liquidity management. These operations are used by the bank to invest for a period of time the liquidity available in a currency by exchange it for another currency.

The Group implemented hedge accounting for its currency and interest rate derivative contracts.

The fair value of derivative financial instruments is determined by discounted cash flow models using the market quotations at the valuation date.
Foreign exchange transactions are measured by discounted future models using the market rates from Reuters and the fixing price of National Bank of Romania.

20. LOANS AND ADVANCES TO BANKS AT AMORTISED COST

In RON thousand	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Refundable at request	33,333	24,477	20,502	21,177
Sight deposits	81,885	91,022	81,885	88,017
Term deposits	710,773	91,808	710,773	91,808
Term loans	146,068	-	146,068	-
Subordinated loans	-	-	11,938	-
Total	**972,059**	**207,307**	**971,166**	**201,002**

Group: As at 31 December 2020, out of the total term deposits, term deposits held with commercial banks are in amount of RON 664,262 thousand (2019: RON 65,774 thousand) and collateral deposits are in amount of RON 46,511 thousand (2019: RON 26,034 thousand).

Bank: As at 31 December 2020, out of the total term deposits, term deposits held with commercial banks are in amount of RON 664,262 thousand (2019: RON 65,774 thousand) and collateral deposits are in amount of RON 46,511 thousand (2019: RON 26,034 thousand).

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST

The table below presents the carrying amount of credit risk exposures and corresponding impairment allowances as follows:

In RON thousand	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Non-retail				
Gross exposure	12,561,426	11,940,677	12,425,277	11,787,024
Impairment allowance	(412,786)	(294,061)	(390,529)	(275,877)
Net exposure	12,148,640	11,646,616	12,034,748	11,511,147
Retail				
Gross exposure	17,543,163	16,780,503	17,080,281	16,267,669
Impairment allowance	(918,743)	(833,485)	(894,178)	(817,402)
Net exposure	16,624,420	15,947,018	16,186,103	15,450,267
Total net exposure	**28,773,060**	**27,593,634**	**28,220,851**	**26,961,414**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

The tables below present an analysis of changes in the gross carrying amount as follows:

Group	**2020**					
In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Non-retail						
Gross carrying amount as at 1 January 2020	10,312,855	1,277,713	350,109	41,374	51,597	11,940,677
New assets originated or purchased	4,110,825	1,000,809	6,094	-	6,094	5,117,728
Assets derecognised or repaid (excluding write offs)	(3,183,982)	(1,329,512)	(51,366)	(41,374)	-	(4,565,124)
Transfers to Stage 1	4,389,097	(4,389,097)	-	-	-	-
Transfers to Stage 2	(5,899,066)	5,899,066	-	-	-	-
Transfers to Stage 3	(7,878)	(41,944)	49,822	-	-	-
Decrease due to write-offs	-	-	(13,093)	-	-	(13,093)
Foreign exchange adjustments	63,140	15,076	2,758	-	175	80,974
Total non-retail gross carrying amount as at 31 December 2020	**9,784,991**	**2,432,111**	**344,324**	**-**	**57,866**	**12,561,426**

In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Collective**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Retail						
Gross carrying amount as at 1 January 2020	12,328,789	1,980,575	719,216	95,961	115,598	15,028,580
New assets originated or purchased	4,984,329	(97,752)	3,166	-	3,166	4,889,743
Assets derecognised or repaid (excluding write offs)	(1,745,856)	(527,166)	(97,134)	43,617	(50,789)	(2,370,156)
Transfers to Stage 1	5,563,447	(5,536,118)	(27,329)	-	-	-
Transfers to Stage 2	(6,667,132)	6,777,412	(110,280)	8,412	(8,412)	-
Transfers to Stage 3	(41,397)	(364,817)	406,214	(7,168)	7,168	-
Decrease due to write-offs	-	-	(57,268)	-	-	(57,268)
Foreign exchange adjustments	27,959	19,973	4,332	1,810	831	52,264
Total retail gross carrying amount as at 31 December 2020	**14,450,139**	**2,252,107**	**840,917**	**142,632**	**67,562**	**17,543,163**
Total gross carrying amount	**24,235,130**	**4,684,218**	**1,185,241**	**142,632**	**125,428**	**30,104,589**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Group	**2019**					
In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Non-retail						
Gross carrying amount as at 1 January 2019	11,093,711	607,233	418,544	42,913	83,371	12,119,488
New assets originated or purchased	8,852,081	341,749	84,581	-	10,895	9,278,411
Assets derecognised or repaid (excluding write offs)	(8,915,894)	(445,758)	(185,338)	(1,539)	(44,600)	(9,546,990)
Transfers to Stage 1	578,189	(578,189)	-	-	-	-
Transfers to Stage 2	(1,385,578)	1,385,578	-	-	-	-
Transfers to Stage 3	(45,247)	(36,508)	81,755	-	-	-
Reclassification Retail to Non-Retail	13,566	-	-	-	-	13,566
Accrued interest	-	-	22,211	-	1,072	22,211
Decrease due to write-offs	-	-	(75,945)	-	-	(75,945)
Foreign exchange adjustments	122,027	3,608	4,301	-	859	129,936
Total non-retail gross carrying amount as at 31 December 2019	**10,312,855**	**1,277,713**	**350,109**	**41,374**	**51,597**	**11,940,677**

In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Collective**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Retail						
Gross carrying amount as at 1 January 2019	12,328,789	1,980,575	719,216	95,961	115,598	15,028,580
New assets originated or purchased	6,420,738	95,387	424,917	36,423	2,189	6,941,042
Assets derecognised or repaid (excluding write offs)	(3,765,251)	(805,371)	(695,068)	(5,275)	(35,496)	(5,265,690)
Transfers to Stage 1	2,,944,648	(2,924,353)	(20,295)	-	-	-
Transfers to Stage 2	(4,053,594)	4,355,529	(301,935)	58,665	(58,665)	-
Transfers to Stage 3	(69,559)	(657,550)	727,109	(44,014)	44,014	-
Reclassification Retail to Non-Retail	(13,566)	-	-	-	-	(13,566)
Accrued interest	14	3,131	53,293	3,046	8,278	56,438
Decrease due to write-offs	-	-	(58,958)	-	-	(58,958)
Foreign exchange adjustments	43,649	39,528	9,480	3,095	1,882	92,657
Total retail gross carrying amount as at 31 December 2019	**13,835,868**	**2,086,876**	**857,759**	**147,901**	**77,800**	**16,780,503**
Total gross carrying amount	**24,148,723**	**3,364,589**	**1,207,868**	**189,275**	**129,397**	**28,721,180**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Bank	**2020**					
In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Non-retail						
Gross carrying amount as at 1 January 2020	10,226,466	1,231,384	329,174	41,374	51,597	11,787,024
New assets originated or purchased	3,991,424	990,471	6,094	-	6,094	4,987,989
Assets derecognised or repaid (excluding write offs)	(3,073,463)	(1,299,283)	(44,898)	(41,374)	-	(4,417,644)
Transfers to Stage 1	4,377,328	(4,377,328)	-	-	-	-
Transfers to Stage 2	(5,762,065)	5,762,065	-	-	-	-
Transfers to Stage 3	(5,523)	(40,438)	45,961	-	-	-
Decrease account due to write-offs	-	-	(13,066)	-	-	(13,066)
Foreign exchange adjustments	63,140	15,076	2,758	-	175	80,974
Total non-retail gross carrying amount as at 31 December 2020	**9,817,307**	**2,281,947**	**326,023**	**-**	**57,866**	**12,425,277**

In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Collective**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Retail						
Gross carrying amount as at 1 January 2020	11,969,993	1,974,962	706,869	95,961	115,598	14,651,824
New assets originated or purchased	4,829,918	(101,685)	3,166	-	3,166	4,731,399
Assets derecognised or repaid (excluding write offs)	(1,669,053)	(521,927)	(107,005)	43,617	(50,789)	(2,297,985)
Transfers to Stage 1	5,561,389	(5,535,428)	(25,961)	-	-	-
Transfers to Stage 2	(6,629,592)	6,739,414	(109,822)	8,412	(8,412)	-
Transfers to Stage 3	(32,139)	(363,223)	395,362	(7,168)	7,168	-
Decrease due to write-offs	-	-	(57,268)	-	-	(57,268)
Foreign exchange adjustments	27,968	19,973	4,370	1,810	831	52,311
Total retail gross carrying amount as at 31 December 2020	**14,058,484**	**2,212,086**	**809,711**	**142,632**	**67,562**	**17,080,281**
Total gross carrying amount	**23,875,791**	**4,494,033**	**1,135,734**	**142,632**	**125,428**	**29,505,558**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Bank	**2019**					
In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Non-retail						
Gross carrying amount as at 1 January 2019	10,760,997	556,846	392,804	42,913	83,371	11,710,647
New assets originated or purchased	8,957,272	334,851	83,079	-	10,895	9,375,202
Assets derecognised or repaid (excluding write offs)	(8,784,159)	(419,632)	(177,770)	(1,539)	(44,600)	(9,381,561)
Transfers to Stage 1	560,393	(560,393)	-	-	-	-
Transfers to Stage 2	(1,350,873)	1,350,873	-	-	-	-
Transfers to Stage 3	(39,191)	(34,769)	73,960	-	-	-
Accrued interest	-	-	22,211	-	1,072	22,211
Decrease account due to write-offs	-	-	(69,411)	-	-	(69,411)
Foreign exchange adjustments	122,027	3,608	4,301	-	859	129,936
Total non-retail gross carrying amount as at 31 December 2019	**10,226,466**	**1,231,384**	**329,174**	**41,374**	**51,597**	**11,787,024**

In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Collective**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Retail						
Gross carrying amount as at 1 January 2019	11,969,993	1,974,962	706,869	95,961	115,598	14,651,824
New assets originated or purchased	6,140,905	92,742	419,637	36,423	2,189	6,653,284
Assets derecognised or repaid (excluding write offs)	(3,645,805)	(803,897)	(678,010)	(5,275)	(35,496)	(5,127,712)
Transfers to Stage 1	2,944,352	(2,924,057)	(20,295)	-	-	-
Transfers to Stage 2	(4,052,359)	4,354,294	(301,935)	58,665	(58,665)	-
Transfers to Stage 3	(38,320)	(653,348)	691,668	(44,014)	44,014	-
Accrued interest	14	3,131	53,293	3,046	8,278	56,438
Decrease due to write-offs	-	-	(58,822)	-	-	(58,822)
Foreign exchange adjustments	43,649	39,528	9,480	3,095	1,882	92,657
Total retail gross carrying amount as at 31 December 2019	**13,362,429**	**2,083,355**	**821,885**	**147,901**	**77,800**	**16,267,669**
Total gross carrying amount	**23,588,895**	**3,314,739**	**1,151,059**	**189,275**	**129,397**	**28,054,693**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

The tables below present an analysis of changes in the ECL allowances as follows:

Group

In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	of which POCI stage 2	of which POCI stage 3	Total
	2020					
Non-retail						
ECL allowance as at 1 January 2020	38,214	20,548	235,299	1,746	41,544	294,061
New assets originated or purchased	174,923	70,591	6,052	-	-	251,566
Assets derecognised or repaid (excluding write offs)	(126,712)	(22,950)	(33,765)	(435)	-	(183,427)
Transfers to Stage 1	59,052	(59,052)	-	-	-	-
Transfers to Stage 2	(23,936)	23,936	-	-	-	-
Transfers to Stage 3	(144)	(2,632)	2,776	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	(25,580)	97,012	23,880	(1,311)	(134)	66,515
Uncollected impaired interest	-	-	37	-	37	37
Decrease in allowance account due to write-offs	-	-	(13,066)	-	-	(13,066)
Foreign exchange adjustments	173	116	1,812	-	54	2,101
Total non-retail ECL as at 31 December 2020	**95,990**	**98,772**	**218,024**	**-**	**41,501**	**412,786**

In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	of which POCI stage 2	of which POCI stage 3	Total
Retail						
ECL allowance as at 1 January 2020	95,517	158,989	578,979	1,947	44,777	833,485
New assets originated or purchased	41,540	41,210	4,897	-	-	87,647
Assets derecognised or repaid (excluding write offs)	(14,472)	(47,434)	(81,852)	(598)	(3,287)	(143,758)
Transfers to Stage 1	247,043	(230,769)	(16,274)	-	-	-
Transfers to Stage 2	(62,116)	130,933	(68,817)	4,570	(4,432)	-
Transfers to Stage 3	(568)	(68,486)	69,054	(214)	298	-
Impact on year end ECL of exposures transferred between stages during the year	(213,203)	218,640	180,524	(989)	1,313	185,961
Uncollected impaired interest	-	345	7,640	-	344	7,985
Changes in methodology						
Decrease in allowance account due to write-offs	-	-	(57,268)	-	-	(57,268)
Foreign exchange adjustments	136	1,488	3,068	108	601	4,692
Total retail ECL as at 31 December 2020	**93,877**	**204,916**	**619,951**	**4,824**	**39,614**	**918,744**
Total impairment allowance	**189,867**	**303,688**	**837,975**	**4,824**	**81,115**	**1,331,530**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Group	2019					
In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	of which POCI stage 2	of which POCI stage 3	Total
Non-retail						
ECL allowance as at 1 January 2019	37,118	7,118	269,881	955	50,041	314,117
New assets originated or purchased	108,160	6,354	46,582	-	6,531	161,096
Assets derecognised or repaid (excluding write offs)	(87,002)	(4,624)	(30,870)	-	(2,573)	(122,496)
Transfers to Stage 1	13,524	(13,524)	-	-	-	-
Transfers to Stage 2	(5,571)	5,571	-	-	-	-
Transfers to Stage 3	(264)	(1,426)	1,690	-	-	-
Change in ECL (including transfers)	(28,111)	20,927	4,852	791	(12,770)	(2.332)
Uncollected impaired interest	-	-	15,196	-	69	15,196
Decrease in allowance account due to write-offs	-	-	(74,795)	-	-	(74,795)
Foreign exchange adjustments	360	152	2,763	-	246	3,275
Total non-retail ECL as at 31 December 2019	**38,214**	**20,548**	**235,299**	**1,746**	**41,544**	**294,061**

In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	of which POCI stage 2	of which POCI stage 3	Total
Retail						
ECL allowance as at 1 January 2019	53,347	205,914	430,330	5,742	33,229	689,591
New assets originated or purchased	56,653	364,795	14,267	-	415	435,715
Assets derecognised or repaid (excluding write offs)	(13,007)	(390,875)	(130,498)	(159)	(3,927)	(534,380)
Transfers to Stage 1	167,282	(158,086)	(9,196)	-	-	-
Transfers to Stage 2	(30,315)	170,129	(139,814)	9,887	(9,887)	-
Transfers to Stage 3	(656)	(104,020)	104,676	(902)	902	-
Change in ECL (including transfers)	(203,806)	(78,181)	455,305	(35,282)	55,435	173,318
Uncollected impaired interest	-	-	37,272	-	3,938	37,272
Changes in methodology	65,845	146,038	(129,980)	22,476	(36,233)	81,903
Decrease in allowance account due to write-offs	-	-	(58,932)	-	-	(58,932)
Foreign exchange adjustments	174	3,275	5,549	185	905	8,998
Total retail ECL as at 31 December 2019	**95,517**	**158,989**	**578,979**	**1,947**	**44,777**	**833,485**
Total impairment allowance	**133,731**	**179,537**	**814,278**	**3,693**	**86,321**	**1,127,546**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Bank	**2020**					
In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Non-retail						
ECL allowance as at 1 January 2020	37,455	19,391	219,031	1,746	41,544	275,877
New assets originated or purchased	174,417	70,531	6,049	-	-	250,997
Assets derecognised or repaid (excluding write offs)	(126,603)	(22,469)	(32,885)	(435)	-	(181,957)
Transfers to Stage 1	59,052	(59,052)	-	-	-	-
Transfers to Stage 2	(23,936)	23,936	-	-	-	-
Transfers to Stage 3	(144)	(2,632)	2,776	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	(26,281)	64,483	(18,594)	(1,311)	(134)	56,796
Uncollected impaired interest	-	-	37	-	37	37
Decrease in allowance account due to write-offs	-	-	(13,066)	-	-	(13,066)
Foreign exchange adjustments	159	113	1,573	-	54	1,845
At 31 December 2020	**94,119**	**94,301**	**202,109**	**-**	**41,501**	**390,529**

In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Collective**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Retail						
ECL allowance as at 1 January 2020	91,593	159,559	566,250	1,947	44,777	817,402
New assets originated or purchased	39,217	41,148	3,600	-	-	83,965
Assets derecognised or repaid (excluding write offs)	(14,254)	(47,374)	(81,253)	(589)	(3,287)	(142,881)
Transfers to Stage 1	247,043	(230,769)	(16,274)	-	-	-
Transfers to Stage 2	(62,116)	130,933	(68,817)	4,570	(4,432)	-
Transfers to Stage 3	(568)	(68,486)	69,054	(214)	298	-
Impact on year end ECL of exposures transferred between stages during the year	(213,177)	218,658	175,047	(989)	1,313	180,528
Uncollected impaired interest	-	345	7,640	-	344	7,985
Decrease in allowance account due to write-offs	-	-	(57,268)	-	-	(57,268)
Foreign exchange adjustments	105	1,488	2,920	108	601	4,513
At 31 December 2020	**87,843**	**205,502**	**600,899**	**4,833**	**39,614**	**894,244**
Total impairment allowance	**181,962**	**299,803**	**803,008**	**4,833**	**81,115**	**1,284,773**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Bank	**2019**					
In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Non-retail						
ECL allowance as at 1 January 2019	35,441	11,069	245,338	955	50,041	291,848
New assets originated or purchased	107,442	6,358	46,558	-	6,531	160,358
Assets derecognised or repaid (excluding write offs)	(86,869)	(4,548)	(30,076)	-	(2,573)	(121,493)
Transfers to Stage 1	13,524	(13,524)	-	-	-	-
Transfers to Stage 2	(5,571)	5,571	-	-	-	-
Transfers to Stage 3	(264)	(1,426)	1,690	-	-	-
Change in ECL (including transfers)	(26,580)	15,747	7,210	791	(12,770)	(3,623)
Uncollected impaired interest	-	-	15,196	-	69	15,196
Decrease in allowance account due to write-offs	-	-	(69,411)	-	-	(69,411)
Foreign exchange adjustments	332	144	2,526	-	246	3,002
Total non-retail ECL as at 31 December 2019	**37,455**	**19,391**	**219,031**	**1,746**	**41,544**	**275,877**
In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Collective**	**of which POCI stage 2**	**of which POCI stage 3**	**Total**
Retail						
ECL allowance as at 1 January 2019	49,457	200,867	430,330	5,742	33,229	680,654
New assets originated or purchased	54,418	364,750	12,746	-	415	431,914
Assets derecognised or repaid (excluding write offs)	(12,709)	(390,863)	(130,183)	(159)	(3,927)	(533,755)
Transfers to Stage 1	167,282	(158,086)	(9,196)	-	-	-
Transfers to Stage 2	(30,315)	170,129	(139,814)	9,887	(9,887)	-
Transfers to Stage 3	(656)	(104,020)	104,676	(902)	902	-
Change in ECL (including transfers)	(201,866)	(72,531)	443,764	(35,282)	55,435	169,367
Uncollected impaired interest	-	-	37,272	-	3,938	37,272
Changes in methodology	65,845	146,038	(129,980)	22,476	(36,233)	81,903
Decrease in allowance account due to write-offs	-	-	(58,822)	-	-	(58,822)
Foreign exchange adjustments	137	3,275	5,457	185	905	8,869
Total retail ECL as at 31 December 2019	**91,593**	**159,559**	**566,250**	**1,947**	**44,777**	**817,402**
Total impairment allowance	**129,048**	**178,950**	**785,281**	**3,693**	**86,321**	**1,093,279**

Stage 2 and Stage 3 columns include also POCI loans.The POCI loans are included in stage 3 if they are still impaired at the end of the reporting period. Otherwise if they have been cured, they are included in “Stage 2”, but remain to be accounted for as POCI as required by IFRS 9.

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

The tables below present an analysis of changes in the gross carrying for off-balance sheet exposures as follows:

Group

In RON thousand	**2020** Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	Total
Non-retail				
Gross carrying amount as at 1 January 2020	9,165,226	348,979	163,812	9,678,017
New assets originated or purchased	6,429,484	-	-	6,429,484
Assets derecognised or repaid (excluding write offs)	(4,825,100)	(753,014)	(43,106)	(5.621.220)
Transfers to Stage 1	2,401,349	(2,401,349)	-	-
Transfers to Stage 2	(3,364,668)	3,364,668	-	-
Transfers to Stage 3	(4,809)	(6,079)	10,888	-
Foreign exchange adjustments	30,460	7,149	1,278	38,887
Total non-retail gross carrying amount as at 31 December 2020	**9,831,942**	**560,354**	**132,872**	**10,525,168**

In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Total
Retail				
Gross carrying amount as at 1 January 2020	2,294,440	849,202	10,074	3,153,716
New assets originated or purchased	641,150	-	-	641,150
Assets derecognised or repaid (excluding write offs)	(388,848)	427,143	(4,542)	33,753
Transfers to Stage 1	1,110,232	(1,107,162)	(3,070)	-
Transfers to Stage 2	(1,171,049)	1,174,255	(3,206)	-
Transfers to Stage 3	(6,091)	(6,808)	12,899	-
Foreign exchange adjustments	-	298	3	301
Total retail gross carrying amount as at 31 December 2020	**2,479,834**	**1,336,928**	**12,158**	**3,828,920**
Total gross carrying amount	**12,311,776**	**1,897,282**	**145,030**	**14,354,088**

Group

In RON thousand	**2019** Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	Total
Non-retail				
Gross carrying amount as at 1 January 2019	9,331,804	192,601	147,590	9,671,995
New assets originated or purchased	5,708,733	101,121	27,527	5,837,381
Assets derecognised or repaid (excluding write offs)	(5,683,322)	(174,765)	(61,041)	(5,919,128)
Transfers to Stage 1	266,852	(266,852)	-	-
Transfers to Stage 2	(496,644)	496,644	-	-
Transfers to Stage 3	(46,248)	(1,411)	47,659	-
Foreign exchange adjustments	84,051	1,641	2,077	87,769
Total non-retail gross carrying amount as at 31 December 2019	**9,165,226**	**348,979**	**163,812**	**9,678,017**

In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Total
Retail				
Gross carrying amount as at 1 January 2019	2,162,810	614,178	2,443	2,779,431
New assets originated or purchased	893,232	59,419	594	953,245
Assets derecognised or repaid (excluding write offs)	(556,821)	(18,518)	(4,160)	(579,499)
Transfers to Stage 1	731,444	(730,724)	(720)	-
Transfers to Stage 2	(932,545)	934,902	(2,357)	-
Transfers to Stage 3	(3,849)	(10,425)	14,274	-
Foreign exchange adjustments	169	370	-	539
Total retail gross carrying amount as at 31 December 2019	**2,294,440**	**849,202**	**10,074**	**3,153,716**
Total gross carrying amount	**11,459,666**	**1,198,181**	**173,886**	**12,831,733**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Bank	**2020**			
In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Non-retail				
Gross carrying amount as at 1 January 2020	9,103,730	348,535	162,988	9,615,253
New assets originated or purchased	6,394,357	-	-	6,394,357
Assets derecognised or repaid (excluding write offs)	(4,825,100)	(753,014)	(42,839)	(5,620,953)
Transfers to Stage 1	2,401,349	(2,401,349)	-	-
Transfers to Stage 2	(3,364,668)	3,364,668	-	-
Transfers to Stage 3	(4,809)	(6,079)	10,888	-
Foreign exchange adjustments	30,460	7,149	1,279	38,888
Total non-retail gross carrying amount as at 31 December 2020	**9,735,319**	**559,910**	**132,316**	**10,427,545**

In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Collective**	**Total**
Retail				
Gross carrying amount as at 1 January 2020	2,279,490	849,202	10,075	3,138,767
New assets originated or purchased	631,092	-	-	631,092
Assets derecognised or repaid (excluding write offs)	(388,848)	427,143	(4,541)	33,754
Transfers to Stage 1	1,110,232	(1,107,162)	(3,070)	-
Transfers to Stage 2	(1,171,049)	1,174,255	(3,206)	-
Transfers to Stage 3	(6,091)	(6,808)	12,899	-
Foreign exchange adjustments	-	298	3	301
Total retail gross carrying amount as at 31 December 2020	**2,454,826**	**1,336,928**	**12,160**	**3,803,914**
Total gross carrying amount	**12,190,145**	**1,896,838**	**144,476**	**14,231,459**

Bank	**2019**			
In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Non-retail				
Gross carrying amount as at 1 January 2019	9,278,368	192,465	147,590	9,618,423
New assets originated or purchased	5,647,237	100,677	26,702	5,774,616
Assets derecognised or repaid (excluding write offs)	(5,629,886)	(174,629)	(61,041)	(5,865,556)
Transfers to Stage 1	266,852	(266,852)	-	-
Transfers to Stage 2	(496,644)	496644	-	-
Transfers to Stage 3	(46,248)	(1,411)	47,659	-
Foreign exchange adjustments	84,051	1,641	2,078	87,770
Total non-retail gross carrying amount as at 31 December 2019	**9,103,730**	**348,535**	**162,988**	**9,615,253**

In RON thousand	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Collective**	**Total**
Retail				
Gross carrying amount as at 1 January 2019	2,162,810	614,178	2,443	2,779,431
New assets originated or purchased	878,282	59,419	594	938,295
Assets derecognised or repaid (excluding write offs)	(556,821)	(18,518)	(4,159)	(579,498)
Transfers to Stage 1	731,444	(730,724)	(720)	-
Transfers to Stage 2	(932,545)	934,902	(2,357)	-
Transfers to Stage 3	(3,849)	(10,425)	14,274	-
Foreign exchange adjustments	169	370	-	539
Total retail gross carrying amount as at 31 December 2019	**2,279,490**	**849,202**	**10,075**	**3,138,767**
Total gross carrying amount	**11,383,220**	**1,197,737**	**173,063**	**12,754,020**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

The tables below present an analysis of changes in the ECL for off-balance sheet exposures allowances as follows:

Group	31 December 2020			
In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	Total
Non-retail				
ECL allowance as at 1 January 2019	10,679	5,467	46,744	62,890
New assets originated or purchased	38,615	-	-	38,615
Assets derecognised or repaid (excluding write offs)	(3,169)	(4,079)	(13,909)	(21,157)
Transfers to Stage 1	1,161	(17,126)	15,965	-
Transfers to Stage 2	(6,870)	6,870	-	-
Transfers to Stage 3	(64)	(36)	100	-
Impact on changes due to change in credit risk (net)	(12,912)	18,664	144	5,896
Foreign exchange adjustments	5	47	311	363
Total non-retail ECL as at 31 December 2020	**27,445**	**9,807**	**49,355**	**86,607**

In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Total
Retail				
ECL allowance as at 1 January 2019	2,967	3,306	7,933	14,206
New assets originated or purchased	3.720	-	-	3,720
Assets derecognised or repaid (excluding write offs)	(451)	(824)	(945)	(2,220)
Transfers to Stage 1	5,215	(4,754)	(461)	-
Transfers to Stage 2	(1,454)	3,561	(2,107)	-
Transfers to Stage 3	(11)	(88)	99	-
Impact on changes due to change in credit risk (net)	(7,682)	2,317	5,570	205
Foreign exchange adjustments	-	1	1	2
Total retail ECL as at 31 December 2020	**2,304**	**3,519**	**10,090**	**15,913**
Total impairment allowance	**29,749**	**13,326**	**59,445**	**102,520**

Group	31 December 2019			
In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	Total
Non-retail				
ECL allowance as at 1 January 2019	11,258	1,090	47,780	60,128
New assets originated or purchased	6,556	204	7,726	14,486
Assets derecognised or repaid (excluding write offs)	(2,707)	(437)	(21,836)	(24,980)
Transfers to Stage 1	4,084	(4,084)	-	-
Transfers to Stage 2	(1,904)	1,904	-	-
Transfers to Stage 3	(206)	(57)	263	-
Impact on changes due to change in credit risk (net)	(6,532)	6,822	12,423	12,713
Foreign exchange adjustments	130	25	388	543
Total non-retail ECL as at 31 December 2019	**10,679**	**5,467**	**46,744**	**62,890**

In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Total
Retail				
ECL allowance as at 1 January 2019	2,415	4,624	2,237	9,276
New assets originated or purchased	2,298	409	1,106	3,813
Assets derecognised or repaid (excluding write offs)	(448)	(1,151)	(246)	(1,845)
Transfers to Stage 1	5,999	(5,241)	(758)	-
Transfers to Stage 2	(945)	2,740	(1,795)	-
Transfers to Stage 3	(20)	(198)	218	-
Impact on changes due to change in credit risk (net)	(6,332)	2,122	7,171	2,961
Foreign exchange adjustments	-	1	-	1
Total retail ECL as at 31 December 2019	**2,967**	**3,306**	**7,933**	**14,206**
Total impairment allowance	**13,646**	**8,773**	**54,677**	**77,096**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Bank

In RON thousand	31 December 2020 Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	Total
Non-retail				
ECL allowance as at 1 January 2020	10,679	5,467	46,744	62,890
New assets originated or purchased	13,667	8,983	15,965	38,615
Assets derecognised or repaid (excluding write offs)	(3,169)	(4,079)	(13,909)	(21,157)
Transfers to Stage 1	26,109	(26,109)	-	-
Transfers to Stage 2	(6,870)	6,870	-	-
Transfers to Stage 3	(64)	(36)	100	-
Impact on changes due to change in credit risk (net)	(12,912)	18,664	144	5,896
Foreign exchange adjustments	5	47	311	363
Total non-retail ECL as at 31 December 2020	**27,445**	**9,807**	**49,355**	**86,607**

In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Total
Retail				
ECL allowance as at 1 January 2020	2,967	3,306	7,933	14,206
New assets originated or purchased	1,786	491	1,443	3,720
Assets derecognised or repaid (excluding write offs)	(451)	(824)	(945)	(2,220)
Transfers to Stage 1	7,149	(5,245)	(1,904)	-
Transfers to Stage 2	(1,454)	3,561	(2,107)	-
Transfers to Stage 3	(11)	(88)	99	-
Impact on changes due to change in credit risk (net)	(7,682)	2,317	5,570	205
Foreign exchange adjustments	-	1	1	2
Total retail ECL as at 31 December 2020	**2,304**	**3,519**	**10,090**	**15,913**
Total impairment allowance	**29,749**	**13,326**	**59,445**	**102,520**

Bank

In RON thousand	31 December 2019 Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	Total
Non-retail				
ECL allowance as at 1 January 2019	11,258	1,090	47,780	60,128
New assets originated or purchased	6,556	204	7,726	14,486
Assets derecognised or repaid (excluding write offs)	(2,707)	(437)	(21,836)	(24,980)
Transfers to Stage 1	4,084	(4,084)	-	-
Transfers to Stage 2	(1,904)	1,904	-	-
Transfers to Stage 3	(206)	(57)	263	-
Impact on changes due to change in credit risk (net)	(6,532)	6,822	12,423	12,713
Foreign exchange adjustments	130	25	388	543
Total non-retail ECL as at 31 December 2019	**10,679**	**5,467**	**46,744**	**62,890**

In RON thousand	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Total
Retail				
ECL allowance as at 1 January 2019	2,415	4,624	2,237	9,276
New assets originated or purchased	2,298	409	1,106	3,813
Assets derecognised or repaid (excluding write offs)	(448)	(1,151)	(246)	(1,845)
Transfers to Stage 1	5,999	(5,241)	(758)	-
Transfers to Stage 2	(945)	2,740	(1,795)	-
Transfers to Stage 3	(20)	(198)	218	-
Impact on changes due to change in credit risk (net)	(6,332)	2,122	7,171	2,961
Foreign exchange adjustments	-	1	-	1
Total retail ECL as at 31 December 2019	**2,967**	**3,306**	**7,933**	**14,206**
Total impairment allowance	**13,646**	**8,773**	**54,677**	**77,096**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Non-performing exposure, in accordance with EBA/ITS/2013/03/rev1 Regulation from July 24th 2014 with subsequent amendments, can be analysed as follows:

	Group		Bank	
In RON thousand	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Exposure	**1,191,474**	**1,207,816**	**1,142,070**	**1,151,059**
out of which retail:	818,565	824,567	815,846	821,885
out of which non-retail:	372,909	383,249	326,224	329,174
Impairment allowance	**826,177**	**812,735**	**793,269**	**785,281**
out of which retail:	592,853	566,472	591,160	566,250
out of which non-retail:	233,324	246,263	202,109	219,031
Net Book Value	**365,297**	**395,081**	**348,801**	**365,778**
out of which retail:	225,712	258,095	224,686	255,635
out of which non-retail:	139,585	136,986	124,115	110,143

The following tables provide a summary of the Group and Bank forborne exposures and corresponding ECL:

Group	2020		2019	
In RON thousand	**Gross carrying amount for retail forborne**	**Gross carrying amount for non-retail forborne**	**Gross carrying amount for retail forborne**	**Gross carrying amount for non-retail forborne**
Modification to term and conditions	102,864	46,793	138,479	47,452
Refinancing	2,542	-	1,980	-
Total performing forborne loans	**105,406**	**46,793**	**140,459**	**47,452**
Modification to term and conditions	266,501	147,555	287,958	152,271
Refinancing	3,883	492	4,664	486
Total non-performing forborne loans	**270,384**	**148,047**	**292,622**	**152,757**
Total forborne loans	**375,790**	**194,840**	**433,081**	**200,209**

Bank	2020		2019	
In RON thousand	**Gross carrying amount for retail forborne**	**Gross carrying amount for non-retail forborne**	**Gross carrying amount for retail forborne**	**Gross carrying amount for non-retail forborne**
Modification to term and conditions	102,864	41,464	138,479	45,814
Refinancing	2,542	-	1,980	-
Total performing forborne loans	**105,406**	**41,464**	**140,459**	**45,814**
Modification to term and conditions	266,501	130,760	287,958	141,095
Refinancing	3,883	-	4,664	-
Total non-performing forborne loans	**270,384**	**130,760**	**292,622**	**141,095**
Total forborne loans	**375,790**	**172,224**	**433,081**	**186,909**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

In RON thousand	31 December 2020			
	Group		Bank	
	Impairment allowance of retail forborne loans	Impairment allowance of non-retail forborne loans	Impairment allowance of retail forborne loans	Impairment allowance of non-retail forborne loans
Modification to term and conditions	(4,576)	(578)	(4,576)	(398)
Total impairment allowance of performing forborne loans	**(4,576)**	**(578)**	**(4,576)**	**(398)**
Modification to term and conditions	(186,085)	(90,915)	(186,085)	(81,712)
Refinancing	(2,773)	(493)	(2,773)	0
Total impairment allowance of non performing forborne loans	**(188,858)**	**-91,408**	**(188,858)**	**(81,712)**
Total impairment allowance of forborne loans	**(193,434)**	**-91,986**	**(193,434)**	**(82,110)**

In RON thousand	31 December 2019			
	Group		Bank	
	Impairment allowance of retail forborne loans	Impairment allowance of non-retail forborne loans	Impairment allowance of retail forborne loans	Impairment allowance of non-retail forborne loans
Modification to term and conditions	(7,074)	(578)	(7,074)	(530)
Total impairment allowance of performing forborne loans	**(7,074)**	**(578)**	**(7,074)**	**(530)**
Modification to term and conditions	(195,927)	(98,733)	(195,927)	(90,624)
Refinancing	(3,159)	(486)	(3,159)	-
Total impairment allowance of non performing forborne loans	**(199,086)**	**(99,219)**	**(199,086)**	**(90,624)**
Total impairment allowance of forborne loans	**(206,160)**	**(99,797)**	**(206,160)**	**(91,154)**

During the financial year 2020, the following existing loans were modified, in accordance with IFRS 9, as a result of payment deferral:

Group *In Ron thousand*	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Amortised cost before modification	828,156	135,593	20,804	9,442	993,995
Net modification gain/loss	(20,521)	(3,024)	(495)	(151)	(24,191)
Amortised cost after modification	807,635	132,569	20,309	9,291	969,804

Bank *In Ron thousand*	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Amortised cost before modification	828,156	135,593	20,804	9,442	993,995
Net modification gain/loss	(20,521)	(3,024)	(495)	(151)	(24,191)
Amortised cost after modification	807,635	132,569	20,309	9,291	969,804

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Financial lease

The Group acts as a lessor in finance lease contracts for vehicles, equipment and real estate. Leasing contracts are denominated in EUR or RON and with a contract tenor of 1 to 8 years, in the case of vehicle lease contracts and 1 to 10 years in case or real estate lease. The transfer of ownership rights is at the maturity of the contract. The interest applicable to lease contracts is variable or fixed and is computed for the entire tenor of the contract. The corresponding receivables are collateralized with the object of the lease contract, as well as with other type of collaterals. Loans and advances to Group's customers include the following receivables from lease contracts:

In RON thousand	31 December 2020
Less than one year	85,678
1 to 2 years	136,232
Two to 3 years	247,452
Three to 4 years	286,710
Four to 5 years	215,731
More than 5 years	90,202
Total undiscounted lease payments receivables	**1,062,005**
Unearned finance income	(34,131)
Net investment in lease	**1,027,874**

In RON thousand	31 December 2019
Less than one year	85,278
1 to 2 years	151,932
Two to 3 years	215,596
Three to 4 years	269,543
Four to 5 years	297,405
More than 5 years	102,613
Total undiscounted lease payments receivables	**1,122,368**
Unearned finance income	(41,239)
Net investment in lease	**1,081,130**

22. INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Bank	
In RON thousand	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Investment securities at fair value through other comprehensive income out of which:				
Bonds issued by the Government of Romania	2,841,071	1,922,994	2,779,427	1,851,204
Bonds issued by Multilateral Development Banks	-	21,315	-	21,315
Bonds issued by other public sector	331,789	411,176	331,789	411,176
Bonds issued by credit institutions	39,668	42,676	39,668	42,676
Total investment securities at fair value through other comprehensive income	**3,212,528**	**2,398,161**	**3,150,884**	**2,326,371**

Treasury securities issued by the Government of Romania include discount and coupon securities denominated in RON. Discount treasury bills bear fixed interest rates. As at December 31 2020, treasury securities amounting to RON 180,355 thousand (31 December 2019: RON 107,491 thousand) are pledged as security in order to comply with National Bank of Romania prudential regulations for settlement of inter-banking operations. Income from debt instruments is recognized in interest and similar income.

Bonds issued by the Government of Romania include bonds issued by the Ministry of Finance denominated in RON, EUR and USD, bearing fixed interest rate between 0.45% p.a. and 6.75% p,a.

Bonds issued by other public sector and by credit institutions are valued using valuation models based on observable inputs (Level II), while the rest of the instruments are valued based on quoted market prices (Level I).

23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Bank	
In RON thousand	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Unquoted equity instruments	11,678	12,674	11,678	12,674
Quoted equity instruments	33,311	49,228	33,311	49,228
Total equity instruments at fair value through other comprehensive income	**44,989**	**61,902**	**44,989**	**61,902**

Upon initial recognition, the Group elected to classify irrevocably its equity investments, other than subsidiaries, joint ventures and associates as equity instruments at FVOCI with no recycling of gains or losses on profit or loss on derecognition.

23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. The Group received dividends at 31 December 2020 amounting to RON 1,696 thousand (2019: RON 1,664 thousand).

The Group holds shares in Visa Inc., a company providing payment services for Visa cards. As of January 1, 2020, the Group reclassified its shares in Visa Inc. from “at fair value through other comprehensive income” category, into “mandatorily at fair value through profit and loss” category. The shares representing Series C Preferred Stock are restricted from sale, but are convertible into Class A Common Stock of Visa Inc in a maximum period of 12 years from the date in which they were granted. Due to the fact that at initial recognition it was not known the exact number of Class A shares they are converted into, they were reclassified into debt instruments instead of equity. The total reclassified amount was RON 48,228 thousand, which represented the fair value of the shares as of December 31, 2019.

During 2020, part of the Series C Preferred Stock were converted into Class A Common Stock. The converted shares were classified into “at fair value through other comprehensive income” category.

24. INVESTMENTS SECURITIES AT AMORTISED COST

	Group		Bank	
In RON thousand	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Bonds issued by credit institutions	77,840	3,596	73,196	-
Bonds issued by the Government of Romania quoted	5,411,162	2,990,420	5,232,702	2,957,868
Bonds issued by the Government of Romania unquoted	606,707	1,958,760	606,707	1,716,364
Total investment securities at amortised cost	**6,095,709**	**4,952,776**	**5,912,605**	**4,674,232**

At 31 December 2020, the Group has one micro hedge relationship and the hedged instrument is a debt security at amortised cost. The carrying amount of the hedged item is RON 33,937 thousand (2019: RON 32,305 thousand).
As at 31 December 2020, bonds issued by the Government of Romania amounting to RON 180,355 (2019: RON 107,530 thousand) are pledged as security in order to comply with National Bank of Romania prudential regulations for settlement of inter-banking operations.

25. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Subsidiaries, associates and joint ventures

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Balance at 1 January	**17,780**	**40,059**	**175,965**	**166,494**
Additions (i)	11,900	-	26,900	9,471
Disposals	-	-	(45,062)	-
Reclassification (i)	-	(23,260)	-	-
Other comprehensive income	-	-	-	-
Group’s share of gain from associates	(261)	1,909	-	-
Dividends received	-	(928)		
Total	**29,419**	**17,780**	**157,803**	**175,965**
Impairment allowance (i)	-	-	(50,637)	(78,012)
Balance at 31 December	**29,419**	**17,780**	**107,166**	**97,953**

25. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

(i)The Bank gained control on Raiffeisen Banca pentru Locuinte S.A. through acquisition of additional 66.65% shares in this participation. The transaction date was July 2019, when all the necessary approvals and contract covenants were fulfilled. The consideration paid was Euro 2,000 thousand and the fair value of net assets acquired (related to 66.66% shares) was RON 16,675 thousands generating a negative good will in amount of RON 7,204 thousands. As a result, the change in control has been reflected in the consolidation financial statements by reclassifying this participation from equity method to full consolidation (both the cost and the related provision).

On the acquisition date, the fair value of the major assets and liabilities transferred were as follows:

In RON thousand	Fair value on acquisition
Investment securities at fair value through other comprehensive income	56,247
Investment securities at amortised cost	233,813
Loans and advances to customers at amortised cost	150,373
Deposits from customers	(371,863)
Provisions	(48,717)
Other assets	5,167
TOTAL net assets acquired	**25,020**

The Group's interests in its associates that are unlisted are as follows:

In RON thousands	Assets	Liabilities	Revenues	Interest income	Interest expense	Income taxes	Profit	Net assets	Interest held%	% Net assets	Carrying amount
31 December 2020											
Fondul de Garantare a Creditului Rural IFN SA	785,511	731,285	19,766	1,161	62	389	1,738	54,226	33.33%	18,074	18,360
CIT One	75,155	41,546	130,308	0	982	-	(5,309)	33,609	33.33%	11,202	11,058
31 December 2019											
Fondul de Garantare a Creditului Rural IFN SA	772,200	719,715	26,875	1,807	-	(412)	2,539	52,485	33.33%	17,493	17,780

26. FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

The table below shows the split of total financial assets mandatorily at fair value through profit or loss as of December 31, 2020.

	Group		Bank	
In RON thousand	2020	2019	2020	2019
Loans and advances to customers	354,151	343,625	354,151	343,625
Debt instruments	39,696	-	24,995	-
Equity instruments	-	19,900	-	-
Total	**393,847**	**363,525**	**379,146**	**343,625**

Group: Net gains on non-trading financial assets mandatorily at fair value through profit or loss for the period ended December 31st, 2020 are in amount of RON 17,866 thousand (2019: RON 40,300 thousand).

Bank: Net gains on non-trading financial assets mandatorily at fair value through profit or loss for the period ended December 31st, 2020 are in amount of RON 17,366 thousand (2019: RON 39,619 thousand).

27. FAIR VALUE CHANGES OF THE HEDGED ITEMS-HEDGE ACCOUNTING

The Bank applies both micro and macro fair value hedge.

For the micro fair value hedge, the Bank uses as hedging instrument interest rate swaps, while the hedged items are debt securities at amortised cost. The total accumulated amount of fair value adjustments of the hedged item and hedging instrument are disclosed under "Fair value changes of the hedged items - hedge accounting" position, respectively "Derivatives – hedge accounting position" in the statement of financial position. The net loss resulted from this hedge relationship at 31 December 2020 is RON 93 thousand, while at 31 December 2019 the Bank incurred a gain of RON 34 thousand. The remaining term for the hedging item is more than 5 years (February 2030).

The macro fair value hedge started in 2020 and the Bank uses as hedging instruments four interest rate swaps, while the hedged item is a loan portfolio at amortised cost. The total accumulated amount of fair value adjustments of hedged item and hedging instruments are disclosed under "Fair value changes of the hedged items - hedge accounting", respectively "Derivatives – hedge accounting position" in the statement of financial position. The net gain/(loss) resulted from this hedge relationship at 31 December 2020 is RON 894 thousand. The remaining term for the hedging items is less than 5 years.

The tables below provide more information regarding the hedged items and hedging instruments:

31 December 2020

In RON thousand	**Carrying amount of hedged items**		**Accumulated amount of fair value adjustments on the hedged items**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Micro fair value hedges				
Debt securities	33,937		4.268	
	33,937		**4.268**	**-**
Macro fair value hedges				
Loan portfolio measured at amortised cost	379.474		6.181	
	379.474		**6.181**	**-**
Total	**413,411**	**-**	**10,449**	**-**

31 December 2019

In RON thousand	**Carrying amount of hedged items**		**Accumulated amount of fair value adjustments on the hedged items**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Micro fair value hedges				
Debt security	32,305		2,029	
	32,305	**-**	**2,029**	**-**

	31 December 2020		**31 December 2019**	
In RON thousand	**Notional amount**	**Liabilities**	**Notional amount**	**Liabilities**
Micro fair value hedges				
Interest rate swap	29,216	4,666	28,676	3,497
	29,216	**4,666**	**28,676**	**3,497**
Macro fair value hedges				
Interest rate swaps	125,000	16,822	-	-
	125,000	**16,822**	**-**	**-**
Total	**154,216**	**21,488**	**28,676**	**3,497**

During the period, the results of the hedge effectiveness assessments showed that the hedge relationships were effective. No situations of hedge ineffectiveness were identified.

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the consolidated and separate financial statements is provided as a free translation from Romanian which is the official and binding version.

28. OTHER ASSETS

	Group			Bank		
In RON thousand	31 December 2020	31 December 2019 Restated	31 December 2019 Reported	31 December 2020	31 December 2019 Restated	31 December 2019 Reported
Prepayments *(i)*	113,101	136,432	280,798	107,695	130,222	274,588
Clearing claims from payment transfer business *(ii)*	71,747	109,505	109,505	71,747	109,505	109,505
Receivable from sale of loans	-	2,777	2,777	-	2,777	2,777
Sundry debtors *(iii)*	56,196	74,573	74,573	49,764	51,050	51,050
Inventories	4,415	1,775	1,775	4,373	1,698	1,698
Repossessed assets	23,720	26,235	26,235	12,308	16,853	16,853
Total	**269,179**	**351,297**	**495,663**	**245,887**	**312,105**	**456,471**

i) In the period December 2017 – May 2019, the Bank had been subject to a fiscal audit from Romanian Tax Authority (further called "ANAF"). The object of the audit was income tax (period 2011-2016) and withholding tax (period 2013-2016).

The fiscal audit report indicated total additional charges of RON 262,413 thousand which includes income tax, withholding tax and related penalties. The Bank has paid all the charges resulting from the fiscal inspection. In response, the Bank submitted an administrative appeal against the inspection report, requesting its cancellation. During 2020, the Bank received the answer to the appeal according to which the Bank is entitled to receive back 10% of the principal charges included in the tax report. The Bank continued legal procedures for the recovery of the remaining amounts and initiated a litigation in this respect.

Based on the facts and documents presented to the tax authority concerning certain operations that were the object of the control performed by the tax authority, considering the reclassification/qualifications made by the tax authority, and considering the opinions issued by the tax advisers and by the law firm that will represent the bank in a potential litigation against the tax authority, the Bank assessed that it is more likely that a court decision would be favourable to the Bank (in the sense of acknowledging the operations as performed by the bank) than to have a non- favourable court decision. As a result, the Bank recognised in 2020 as expense an amount of RON 35,283 thousand, in addition to the amount of RON 21,486 thousand reflected in 2019.The remaining amount of RON 205,644 thousand (2019: RON 240,927) paid is reflected as prepayment.

In 2020, the Bank reclassified, for 31 December 2019 reporting period, the income tax receivable and related penalties from the tax audit, from "Other assets" to "Current tax receivable" position. The reclassified amount is RON 144,366 thousand. This reclassification is a result of the IFRS Interpretations Committee agenda decision dated September 2019. This decision clarifies the presentation of uncertain tax assets and liabilities. Therefore, the amount paid in advance to the tax authorities representing income tax and related penalties has been reclassified into "Current tax receivable" position for December 2019. In 2020, the amount representing income tax receivable and related penalties from tax audit in amount of RON 126,274 thousand is also presented under "Current tax receivable" position.

According to IFRIC 23, the carrying amount of income taxes with uncertain treatment is RON 126,274 thousand (2019: RON 144,366 thousand) and resulted from the tax audit detailed above. This amount includes income tax (principal and related penalties). In this respect, the taxation authority represents the body that decides whether tax treatments are acceptable under tax law and might include the court.

ii) Clearing claims from payment transfer business include amounts to be settled as of December 31, like: cards transactions of RON 64,328 thousand (2019: RON 77,716 thousand), sales and purchase of cash of RON 0 thousand (2019: RON 26,953 thousand), Western Union transactions in course of settlement of RON 584 thousand (2019: RON 4,652 thousand) and others.

iii) Sundry debtors include various receivables such for: services provided by the bank to its customers (such as for cash transportation), advances paid to suppliers, amounts receivables as a result of operational incidents etc.

28. OTHER ASSETS (continued)

Group: Sundry debtors balance is presented at net book value, respectively gross book value in amount of 149,825 RON thousand (2019: 123,441 RON thousand) decreased with impairment in amount of RON 88,691 thousand (2019: RON 48,868 thousand).

Bank: Sundry debtors balance is presented at net book value, respectively gross book value in amount of 143,392 RON thousand (2019: 99,915 RON thousand) decreased with impairment in amount of RON 88,691 thousand (2019: RON 48,868 thousand).

In the tables below is presented the split of other assets to customers by their quality:

	Group			Bank		
In RON thousand	**31 December 2020**	**31 December 2019 Restated**	**31 December 2019 Reported**	**31 December 2020**	**31 December 2019 Restated**	**31 December 2019 Reported**
Financial assets	170,659	198,013	198,013	147,409	158,897	158,897
Non-financial assets	98,520	153,284	297,650	98,478	153,208	297,574
Total	**269,179**	**351,297**	**495,663**	**245,887**	**312,105**	**456,471**

Of which:

	Group		Bank	
In RON thousand	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Current assets	80,306	119,525	57,056	80,409
Impaired assets	90,353	78,488	90,353	78,488
Total	**170,659**	**198,013**	**147,409**	**158,897**

29. DEFERRED TAX

Deferred tax assets of the Group are attributable to the items detailed in the tables below:

	31 December 2020			
In RON thousand	**Assets**	**Liabilities**	**Net**	**Deferred tax asset/(liability)**
Property, plant and equipment and intangible assets	1,081	61,973	(60,892)	(9,743)
Other liabilities	123,571	-	123,571	19,771
Valuation reserve financial assets (AFVOCI)	4,321	70,909	(66,588)	(10,654)
Provisions for liabilities and charges	170,291	-	170,291	27,247
Total	**299,264**	**132,882**	**166,382**	**26,621**

	31 December 2019			
In RON thousand	**Assets**	**Liabilities**	**Net**	**Deferred tax asset/(liability)**
Property, plant and equipment and intangible assets	977	62,591	(61,614)	(9,858)
Other liabilities	77,853	-	77,853	12,456
Valuation reserve financial assets (AFVOCI)	500	52,735	(52,235)	(8,358)
Provisions for liabilities and charges	168,342	-	168,342	26,935
Total	**247,672**	**115,326**	**132,346**	**21,175**

29. DEFERRED TAX (continued)

Deferred tax assets of the Bank are attributable to the items detailed in the tables below:

	31 December 2020			
In RON thousand	Assets	Liabilities	Net	Deferred tax asset/(liability)
Property, plant and equipment and intangible assets	1,081	61,973	(60,892)	(9,743)
Other liabilities	123,571	-	123,571	19,771
Valuation reserve financial assets (AFVOCI)	4,321	70,909	(66,588)	(10,654)
Provisions for liabilities and charges	138,172	-	138,172	22,108
Total	**267,145**	**132,882**	**134,263**	**21,482**

	31 December 2019			
In RON thousand	Assets	Liabilities	Net	Deferred tax asset/(liability)
Property, plant and equipment and intangible assets	977	62,591	(61,614)	(9,858)
Other liabilities	77,853	-	77,853	12,456
Valuation reserve financial assets (AFVOCI)	500	52,735	(52,235)	(8,358)
Provisions for liabilities and charges	150,581	-	150,581	24,094
Total	**229,911**	**115,326**	**114,585**	**18,334**

Expenses and income deferred tax as at December 31, 2020 are attributable to the items detailed in the table below:

	Group		Bank	
In RON thousand	2020	2019	2020	2019
Property, plant and equipment and intangible assets	116	1,874	116	1,874
Valuation reserve financial assets	615	(627)	615	(627)
Other liabilities	7,045	(4,142)	6,699	(3,750)
Provisions for liabilities and charges	312	(402)	(1,985)	(1,617)
Deferred tax income / (expense)	**8,088**	**(3,297)**	**5,445**	**(4,120)**

Deferred tax related to items recognised in other comprehensive income during the year is due to unrealised gain/loss on financial assets (AFVOCI).

30. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Group

In RON thousand	Land and buildings	Furniture and computer equipment	Motor vehicles	Assets in progress	Right-of-Use assets Land and buildings	Total
Cost:						
Balance at 1 January 2019	**200,066**	**405,723**	**34,748**	**12,205**	**408,867**	**1,061,609**
Additions	-	17,366	3,318	95,198	33,565	149,447
Transfers	8,891	51,986	574	(61,451)	-	-
Disposals	(7,175)	(52,191)	(1,322)	(9,996)	-	(70,684)
Balance at 31 December 2019	**201,782**	**422,884**	**37,318**	**35,956**	**442,432**	**1,140,372**
Balance at 1 January 2020	**201,782**	**422,884**	**37,318**	**35,956**	**442,432**	**1,140,372**
Additions	-	14,977	1,727	58,281	76,916	151,901
Transfers	8,435	47,587	3,605	(59,627)	-	-
Disposals	(12,522)	(54,202)	(4,273)	-	(13,086)	(84,083)
Balance at 31 December 2020	**197,695**	**431,246**	**38,377**	**34,610**	**506,262**	**1,208,190**
Depreciation and impairment losses:						
Balance at 1 January 2019	**158,128**	**271,155**	**20,185**	**-**		**449,468**
Charge for the year	8,480	50,243	6,234	-	92,998	157,955
Disposals	(7,128)	(47,486)	(1,007)	-		(55,621)
Balance at 31 December 2019	**159,480**	**273,912**	**25,412**	**-**	**92,998**	**551,802**
Balance at 1 January 2020	**159,480**	**273,912**	**25,412**	**0**	**92,998**	**551,802**
Charge for the year	9,934	47,638	5,750	3,767	92,405	159,494
Disposals	(12,084)	(46,968)	(4,161)	-	(5,672)	(68,885)
Balance at 31 December 2020	**157,330**	**274,582**	**27,001**	**3,767**	**179,731**	**642,411**
Carrying amounts:						
At 1 January 2019	**41,938**	**134,568**	**14,563**	**12,205**	**408,867**	**612,141**
At 31 December 2019	**42,302**	**148,972**	**11,906**	**35,956**	**349,434**	**588,570**
At 1 January 2020	**42,302**	**148,972**	**11,906**	**35,956**	**349,434**	**588,570**
At 31 December 2020	**40,365**	**156,664**	**11,376**	**30,843**	**326,531**	**565,779**

Under "Assets in progress" category, the Group includes investments in branch redesign, technological equipment, vehicles and furniture, which are not yet put in function.

30. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Bank

In RON thousand	Land and buildings	Furniture and computer equipment	Motor vehicles	Assets in progress	Right-of-Use assets Land and buildings	Total
Cost:						
Balance at 1 January 2019	**200,044**	**406,038**	**32,865**	**12,205**	**408,867**	**1,060,019**
Additions	-	16,788	2,442	91,327	33,565	144,122
Transfers	8,891	51,986	574	(61,451)	-	-
Disposals	(7,175)	(51,495)	(925)	(9,983)	-	(69,578)
Balance at 31 December 2019	**201,760**	**423,317**	**34,956**	**32,098**	**442,432**	**1,134,563**
Balance at 1 January 2020	**201,760**	**423,317**	**34,956**	**32,098**	**442,432**	**1,134,563**
Additions	-	13,958	1,252	58,281	76,916	150,407
Transfers	8,435	47,587	3,605	(59,627)	-	-
Disposals	(12,522)	(53,077)	(3,816)	-	(13,086)	(82,501)
Balance at 31 December 2020	**197,673**	**431,785**	**35,997**	**30,752**	**506,262**	**1,202,469**
Depreciation and impairment losses:						
Balance at 1 January 2019	**158,043**	**273,328**	**18,664**	**-**		**450,035**
Charge for the year	8,480	50,801	5,103	-	92,998	157,382
Disposals	(7,128)	(51,326)	(646)	-	-	(59,100)
Balance at 31 December 2019	**159,395**	**272,803**	**23,121**	**-**	**92,998**	**548,317**
Balance at 1 January 2020	**159,395**	**272,803**	**23,121**	**-**	**92,998**	**548,317**
Charge for the year	9,934	47,164	5,135	3,767	91,659	157,659
Disposals	(12,084)	(46,316)	(3,780)	-	(4,926)	(67,106)
Balance at 31 December 2020	**157,245**	**273,651**	**24,476**	**3,767**	**179,731**	**638,870**
Carrying amounts:						
At 1 January 2019	**42,001**	**132,710**	**14,201**	**12,205**	**408,867**	**609,984**
At 31 December 2019	**42,365**	**150,514**	**11,835**	**32,098**	**349,434**	**586,246**
At 1 January 2020	**42,365**	**150,514**	**11,835**	**32,098**	**349,434**	**586,246**
At 31 December 2020	**40,428**	**158,134**	**11,521**	**26,985**	**326,531**	**563,599**

Group: Purchases of property, plant and equipment during year 2020 were in amount of RON 74,985 thousand (2019: RON 149,447 thousand).

Bank: Purchases of property, plant and equipment during year 2020 were in amount of RON 73,491 thousand (2019: RON 144,122 thousand).

31. INTANGIBLE ASSETS

Group

In RON thousand	Purchased Software	Assets in progress	Total
Cost:			
Balance at 1 January 2019	**497,402**	**77,616**	**575,018**
Additions	1,688	139,207	140,895
Transfers	99,513	(99,513)	-
Disposals	(2,985)	(16,861)	(19,846)
Balance at 31 December 2019	**595,618**	**100,449**	**696,067**
Balance at 1 January 2020	**595,618**	**100,449**	**696,067**
Additions	1,314	141,828	143,142
Transfers	108,625	(108,625)	-
Disposals	(4,249)	(156)	(4,405)
Balance at 31 December 2020	**701,308**	**133,496**	**834,804**
Amortization and impairment losses:			
Balance at 1 January 2019	**393,903**	**-**	**393,903**
Charge for the year	72,164	-	72,164
Disposals	(3,512)	-	(3,512)
Balance at 31 December 2019	**462,555**	**-**	**462,555**
Balance at 1 January 2020	**462,555**	**-**	**462,555**
Charge for the year	72,342	-	72,342
Disposals	(4,249)	-	(4,249)
Balance at 31 December 2020	**530,648**	**-**	**530,648**
Carrying amounts:			
At 1 January 2019	**103,499**	**77,616**	**181,115**
At 31 December 2019	**133,063**	**100,449**	**233,512**
At 1 January 2020	**133,063**	**100,449**	**233,512**
At 31 December 2020	**170,660**	**133,496**	**304,156**

The increase in intangible assets in progress is a result of the Group's strategy to continue digitalization, in order to deliver fast, easy-to-use and increasingly digitalized services to the customers.

31. INTANGIBLE ASSETS (continued)

Bank

In RON thousand	Purchased Software	Assets in progress	Total
Cost:			
Balance at 1 January 2019	**496,593**	**76,601**	**573,194**
Additions	31	139,207	139,238
Transfers	99,513	(99,513)	-
Disposals	(2,985)	(16,552)	(19,537)
Balance at 31 December 2019	**593,152**	**99,743**	**692,895**
Balance at 1 January 2020	**593,152**	**99,743**	**692,895**
Additions	-	141,499	141,499
Transfers	108,625	(108,625)	-
Disposals	(4,249)	-	(4,249)
Balance at 31 December 2020	**697,528**	**132,617**	**830,145**
Amortization and impairment losses:			
Balance at 1 January 2019	**394,733**	**-**	**394,733**
Charge for the year	70,997	-	70,997
Disposals	(2,975)	-	(2,975)
Balance at 31 December 2019	**462,755**	**-**	**462,755**
Balance at 1 January 2020	**462,755**	**-**	**462,755**
Charge for the year	71,175	-	71,175
Disposals	(4,249)	-	(4,249)
Balance at 31 December 2020	**529,681**	**-**	**529,681**
Carrying amounts:			
At 1 January 2019	**101,860**	**76,601**	**178,461**
At 31 December 2019	**130,397**	**99,743**	**230,140**
At 1 January 2020	**130,397**	**99,743**	**230,140**
At 31 December 2020	**167,847**	**132,617**	**300,464**

Group: Purchases of intangible assets during year 2020 were in amount of RON 143,142 thousand (2019: RON 140,895 thousand).

Bank: Purchases of intangible assets during year 2020 were in amount of RON 141,499 thousand (2019: RON 139.238 thousand).

32. DEPOSITS FROM BANKS

In RON thousand	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Payable on demand	337,954	308,664	337,954	308,664
Term deposits	509	6	509	6
Total	**338,463**	**308,670**	**338,463**	**308,670**

33. DEPOSITS FROM CUSTOMERS

In RON thousand	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Payable on demand				
Retail customers	23,362,866	17,867,275	23,173,098	17,543,201
Non-retail customers	8,941,069	7,841,394	8,972,732	7,858,951
	32,303,935	**25,708,669**	**32,145,830**	**25,402,152**
Term deposits				
Retail customers	8,863,845	8,378,420	8,863,845	8,378,420
Non-retail customers	2,385,186	2,021,422	2,385,186	2,021,422
	11,249,031	**10,399,842**	**11,249,031**	**10,399,842**
Savings accounts				
Retail customers	67	315	67	316
	67	**315**	**67**	**316**
Total	**43,553,033**	**36,108,826**	**43,394,928**	**35,802,310**

34. TOTAL LONG TERM DEBT

Long term-debt includes debt securities issued, senior loans and subordinated loans from banks, as presented in the table below:

	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
In RON thousand				
Senior loans from banks and financial institutions	432,178	512,962	17,657	42,269
Of which unsecured:	139,692	275,746	-	-
Debt securities issued	480,092	480,617	480,092	480,617
Subordinated liabilities	416,326	408,645	416,326	408,645
Total	**1,328,596**	**1,402,224**	**914,075**	**931,531**

(i) Senior loans from banks and financial institutions are detailed in the table from below:

In RON thousand	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Commercial banks	139,691	275,746	-	-
Multilateral Development Banks	274,830	203,998	-	9,051
Other financial institutions	17,657	33,218	17,657	33,218
Total loans from banks and financial institutions	**432,178**	**512,962**	**17,657**	**42,269**

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34. TOTAL LONG TERM DEBT (continued)

The loans received from banks and other financial institutions are denominated in EUR and RON, with a final maturity which varies between December 2021 and December 2026.

The Group takes all the necessary measures in order to ensure compliance with the financial covenants that may be attached to the loans received from banks and other financial institutions. Consequently, there have been no breaches in the financial covenants of any loans from banks and other financial institutions in the analyzed period.

Senior debt has greater seniority in the Bank's liabilities structure than subordinated debt and regulatory capital instruments as regulated by applicable insolvency law.

As of December 31, 2020, the Group has commitments received from credit institutions in amount of EUR 50.000 thousand (December 31, 2019: EUR 77.000 thousand).

As of December 31, 2020, the Bank has commitments received from credit institutions in amount of EUR 50.000 thousand (December 31, 2019: EUR 50.000 thousand).

(ii) Debt securities issued

Group: The balance of debt securities issued as at December 31, 2020, including accrued interest, is in amount of RON 480,092 thousand (December 31, 2019: RON 480,617 thousand).

Bank: The balance of debt securities issued as at December 31, 2020, including accrued interest, is in amount of RON 480,092 thousand (December 31, 2019: RON 480,617 thousand).

In December 2019, the Bank issued unsecured, subordinated RON-denominated bonds in nominal amount of RON 480,000 thousand that qualify as Tier 2 instruments. The instruments bear variable rate and have maturity on 19 December 2029. Initially the bonds were subscribed by private investors through a private placement process. According to the terms and conditions of the issuance, the bonds were admitted to trading on the Regulated Spot Market of the Bucharest Stock Exchange on 14th of May 2020, under ISIN code: ROJX86UZW1R4..

(iii) Subordinated liabilities

The balance of subordinated liabilities as at December 31, 2020, in RON equivalents, including accrued interest is RON 416,326 thousand (December 31, 2019: RON 408,645 thousand).

All subordinated loans are granted by Raiffeisen Bank International A.G.

34. TOTAL LONG TERM DEBT (continued)

The below tables show the split of total long term debt by contractual maturities as of December 31, 2020:

Group

	Less than 1 year	Over 1 year	Total
In RON thousand			
Senior loans from banks and financial institutions	44.983	387.195	432.178
Of which unsecured	*36.231*	*103.461*	*139.692*
Debt securities issued	-	480.092	480.092
Subordinated liabilities	99.815	316.511	416.326
Total	**144.798**	**1.183.798**	**1.328.596**

Bank

	Less than 1 year	Over 1 year	Total
In RON thousand			
Senior loans from banks and financial institutions	8.752	8.905	17.657
Of which unsecured	-	-	-
Debt securities issued	-	480.092	480.092
Subordinated liabilities	99.815	316.511	416.326
Total	**108.567**	**805.508**	**914.075**

The below tables show the split of total long term debt by contractual maturities as of December 31, 2019:

Group

	Less than 1 year	Over 1 year	Total
In RON thousand			
Senior loans from banks and financial institutions	202,048	310,914	512,962
Of which unsecured	*137,694*	*138,052*	*275,746*
Debt securities issued	-	480,617	480,617
Subordinated liabilities	3,684	404,961	408,645
Total	**205,732**	**1,196,492**	**1,402,224**

Bank

	Less than 1 year	Over 1 year	Total
In RON thousand	24,474	17,795	42,269
Senior loans from banks and financial institutions	-	-	-
Of which unsecured	-	-	-
Debt securities issued	-	480,617	480,617
Subordinated liabilities	3,684	404,961	408,645
Total	**28,158**	**903,373**	**931,531**

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the consolidated and separate financial statements is provided as a free translation from Romanian which is the official and binding version.

35. OTHER LIABILITIES

In RON thousand	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Lease liability	335,493	349,992	335,493	349,992
Amounts due to state budget for social security	35,317	25,808	34,297	25,535
Short-term employee benefits	43,126	58,026	43,126	56,978
Accrual for suppliers	109,311	111,230	109,059	111,153
Cash in transit (i)	119,588	144,300	119,588	144,300
Deferred income	39,611	41,181	39,611	41,181
Other liabilities(ii)	230,365	184,184	220,317	174,458
Total	**912,811**	**914,721**	**901,491**	**903,597**

i) Cash in transit includes payments which should be settled with other banks of RON 83,566 thousand (2019: RON 101,866 thousand) and receipts which should be settled with current accounts RON 36,699 thousand (2019: RON 42,434 thousand).

ii) Other liabilities include credit cards of RON 43,368 thousand (2019: RON 39,705 thousand), liabilities due to customers of RON 119,044 thousand (2019: 82,983 thousand RON), deposits representing the share capital at companies in course of set-up of RON 21,227 thousand (2019: RON 16,318 thousand) and receivable from guarantees received of RON 7,619 thousand (2019: RON 7,172 thousand).

36. PROVISIONS

In RON thousand	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Provisions for litigations and potential risks (i)	201,711	143,268	144,703	94,017
Provision for un-drawn commitments (ii)	102,803	77,415	102,521	77,096
Provision for employee benefits (iii)	3,622	3,609	3,341	3,372
Provisions for overdue vacations	12,520	12,470	12,470	12,470
Provisions for severance payments and similar obligations	32,310	665	32,310	665
Sundry provisions	1,863	2,350	1,007	904
Total	**354,829**	**239,777**	**296,352**	**188,524**

i)The nature of provisions for litigation represents legal disputes. Expected timing of outflows for litigations cannot be appreciated, depending on various factors. Given the complexity and inherent uncertainties related to the outcome of possible scenario regarding the provision for litigation, the Group's estimates needed may differ from actual obligation resulting from the completion of such legal disputes in future periods.

Included in position “Provisions for litigations and potential risks” are the following main legal disputes:

a. Disputes with consumers

As of December 31, 2020, the provisions related to individual consumer loan litigations amounted to 11,863 RON thousand (2019: RON 16,453 thousand). They are due to contractual clauses that may generate losses because they are considered unfair by customers. The existing provisions are both for ongoing litigations and for potential ones (which might result in litigations in the future).

36. PROVISIONS (continued)

b. Order no 837 dated October 20, 2017 received from the National Authority for Consumer Protection

As of 20 October 2017, the Bank received from National Authority for Consumer Protection (further called „ANPC") an order (no. 837) which requires the cancellation of an alleged incorrect practice of non-informing the customers about the future interest evolution upon loan origination. In addition to a RON 50,000 fine, the Bank is required to bring the contracts to the situation before the illegal practice, including the issue of a new reimbursement plan, with the conditions applicable on signing date. This is in contradiction with the effects of an order aimed at stopping a practice which has effects in the future and is not an action in cancellation which would have been retrospective. At the date of these financial statements, the Order is definitively suspended and a litigation regarding its validity is ongoing. In the first instance, the Bank lost the litigation with ANPC. Still, the Bank has initiated the appeal at the High Court of Cassation and Justice, with first hearing on December 7, 2021. The decision of the first instance has no legal effect, taking into consideration that the Order is suspended until an irrevocably decision is made in this file. For this legal dispute, the Bank calculated a provision based on all possible scenarios, which are weighed with probabilities in order to obtain the best estimated expected loss. The value of this provision, as of December 31, 2020, is RON 68,971 thousand (2019: 67,931 thousand) and has been made as a result of losing the litigation in the first instance.

c. Order 280 dated July 9, 2014, received from the National Authority for Consumer Protection

On February 6th, 2020, the High Court of Cassation and Justice has solved the appeal filed by Raiffeisen Bank SA against the National Authority for Consumer Protection in the file no. 988/2/2015, by rejecting it.

The subject matter of the file is the annulment of the administrative act, respectively of the Decision 280/2014 issued by the ANPC with reference to the restructuring method by including the management fee in the interest margin.

In July 2014, the ANCP had issued a decision applicable to Raiffeisen Bank S.A., asking the bank to stop the practice of including the credit management commission in the interest margin on the occasion of the restructuring of consumer loans. Although provisions describing that method were included in the respective agreements, in the authority's opinion those provisions were not clear enough. Following the High Court of Cassation and Justice decision in the file no. 988/2/2015, and based on an external legal opinion, the Bank is in process of implementing the Order. The provision booked in this respect, as of December 31, 2020, is in amount of RON 16,667 thousand (December 31, 2019: nil).

d. The litigation between Aedificium Banca pentru Locuinte S.A. and the Romanian Court of Auditors

Following an audit review of the Romanian Court of Auditors regarding the activity of Aedificium Banca pentru Locuinte S.A. (further called "ABL"), finalised in 2016, the Romanian Court of Auditors claimed that several deficiencies were identified and that conditions for state premiums on savings have not been met. Thus, such premiums may have to be repaid. Should ABL not succeed in reclaiming said amounts from its customers or providing satisfactory documentation, ABL would be liable for the payment of such funds. ABL has initiated a contestation process against the position of the Romanian Court of Auditors. The High Court of Cassation and Justice of Romania has definitively ruled in the file, rejecting the Bank's appeal and partially annulling the Decision of the Court of Accounts. Another decision is being expected, related to the exception of unconstitutionality, which was invoked by Aedificium and sent by the High Court of Cassation and Justice of Romania to the Constitutional Court (in the High Court's opinion the exception invoked by Aedificium should be admitted). ABL may not be able to receive reimbursement of such funds from its customers due to legal and practical reasons.
Given current uncertainties, on December 31, 2020 the Group made a provision of RON 91,597 thousand (2019: RON 47,903 thousand), which represent the possible outcomes of different scenarios (regarding the repayment of premiums and related penalties), weighted by their associated probabilities. In its separate financial statements, the Bank has fully provisioned its participation in ABL, meaning a provision of RON 12,466 thousand (2019: RON 42,481 thousand), has booked a write-off of the participation in amount of RON 45,015 (2019: nil) and set-up a litigation provision in amount of RON 36,627 thousand (2019: nil).

36. PROVISIONS (continued)

e. The litigation between Raiffeisen Leasing IFN S.A. and the Romanian Competition Council

At the end of 2017, the Competition Council launched an investigation for a possible violation of the competition rules at the level of the Romanian financial leasing market. Following the communication of the Report at the end of 2019, the investigated companies, including Raiffeisen Leasing IFN S.A., submitted to the Competition Council a series of Comments on the report, arguing the lack of guilt, both in the Observations and Hearings. As a result, in the deliberation meeting which took place on 25.02.2020, the Plenum of the Competition Council decided to send back the Report to the investigation team, in order to complete the analysis.
On 16.10.2020, the Competition Council issued a second report, with different facts, with a new fine proposal, significantly lower than the previous one.

The hearings for the defense of the new Report were on 03.12.2020 and the Plenum of the Competition Council did not transmit the final Decision to this day. When the decision will be received, Raiffeisen Leasing will consider its right to take legal action. As a prudent approach, a provision in this respect was already booked.

During the entire investigation Raiffeisen Leasing had a proactive communication and collaboration with the Authorities, providing studies, analyses, and having face-to-face meetings with the Competition Council for clarifications.

ii) For off balance sheet commitments, provisions are calculated by multiplying net exposure (gross exposure minus collateral value) with historical loss rates specific for each risk category, further adjusted with the credit conversion factor. The credit conversion factor represents the Bank's expectations of the respective loan commitment to become a balance sheet exposure over its expected life.

iii) The provision for employee benefits is the Group’s one off obligation to offer a number of salaries depending on the service period. The Group has calculated provision for contributions granted to employees on retirement as at year end 2020 using indicators such as: remaining number of years with the company up to retirement, probability that employee will stay with the company up to retirement, current salary, average number of salaries paid as benefit at retirement, age, sex, expected age of retirement as per current legislation. Statistical assumptions used in provision computation in 2020 are consistent with those at year end 2019, revised as per current year available information.

36. PROVISIONS (continued)

During 2020 the provisions can be further analyzed as follows:
Group

In RON thousand	Opening Balance	Allocation	Release	FX difference	Closing balance
Provisions for litigations and potential risks (i)	143,268	61,993	(4,884)	1,334	201,711
Provision for un-drawn commitments	77,415	25,068		320	102,803
Provisions for employee benefits	3,609	13	-	-	3,622
Provisions for overdue vacations	12,470	50	-	-	12,520
Provisions for severance payments and similar obligations	665	32,310	(665)	-	32,310
Sundry provisions	2,350	-	(487)	-	1,863
TOTAL	**239,777**	**119,434**	**(6,036)**	**1,654**	**354,829**

During 2019 the provisions can be further analyzed as follows:

In RON thousand	Opening Balance	Allocation	Release	Closing balance
Provisions for litigations and potential risks (i)	27,291	115,977	-	143,268
Provision for un-drawn commitments	69,405	8,010	-	77,415
Provisions for employee benefits	3,621	-	(12)	3,609
Provisions for overdue vacations	10,934	1,536	-	12,470
Provisions for severance payments and similar obligations	5,313	-	(4,648)	665
Sundry provisions	17,117	-	(14,767)	2,350
TOTAL	**133,681**	**125,523**	**(19,427)**	**239,777**

Bank
During 2020 the provisions can be further analyzed as follows:

In RON thousand	Opening balance	Allocation	Release	FX difference	Closing balance
Provisions for litigations and potential risks	94,017	54,236	(4,884)	1,334	144,703
Provision for un-drawn commitments	77,096	25,105		320	102,521
Provisions for employee benefits	3,372	-	(31)	-	3,341
Provisions for overdue vacations	12,470	-	-	-	12,470
Provisions for severance payments and similar obligations	665	32,310	(665)	-	32,310
Sundry provisions	904	-	103	-	1,007
TOTAL	**188,524**	**111,651**	**(5,477)**	**1,654**	**296,352**

During 2019 the provisions can be further analyzed as follows:

In RON thousand	Opening balance	Allocation	Release	Closing balance
Provisions for litigations and potential risks	26,973	67,044	-	94,017
Provision for un-drawn commitments	69,405	7,691	-	77,096
Provisions for employee benefits	3,621	-	(249)	3,372
Provisions for overdue vacations	10,707	1,763	-	12,470
Provisions for severance payments and similar obligations	5,102	-	(4,437)	665
Sundry provisions	15,500	-	(14,596)	904
TOTAL	**131,308**	**76,498**	**(19,282)**	**188,524**

37. SHARE CAPITAL

Share capital

As of December 31, 2019 the number of shares is 12,000 and there were no changes in shares structure.

Share capital in amount of RON 1.2 bln consists in 12,000 shares with a nominal value of RON 100,000/share.

During 2020, Raiffeisen Bank S.A did not pay dividends to its shareholders (2019: RON 444,000 thousand, which represents a dividend of RON 37,000 /share).

37. SHARE CAPITAL (continued)

The shareholders of the Group are as follows:

	31 December 2020	31 December 2019
	%	%
Raiffeisen SEE Region Holding GmbH	99.925	99.925
Other shareholders	0.075	0.075
Total	**100**	**100**

38. OTHER EQUITY INSTRUMENTS

Other equity instruments are comprised of subordinated unsecured instruments notes issued by the Group that are classified as equity instruments in accordance to IAS 32 "Financial Instruments: Presentation". The instruments meet the criteria for inclusion in Group Tier 1 own funds, as they qualify as Additional Tier 1 instruments, as defined by Regulation (EU) No. 575/2013 (CRR), article 52. They are perpetual instruments, with no maturity, while the issuer's reimbursement is limited and subject to supervisory approval.

Although the notes include a coupon rate, this is fully discretionary and is paid out of the distributable profits. In case the Group's CET 1 Capital Ratio is below a certain threshold, this might trigger full or partial write-down of the notes. The write-down is temporary and can be followed by a write-up, which is at the sole discretion of the issuer and compliance with applicable supervisory regulations.
The total issue of the notes amounts to EUR 50 million and have been purchased by Raiffeisen Bank International A.G. (please refer to *note 40 Related party transactions*).

39. OTHER RESERVES

In RON thousand	Group 31 December 2020	Group 31 December 2019	Bank 31 December 2020	Bank 31 December 2019
Statutory reserve *(i)*	242,128	242,128	240,000	240,000
Fair value loss taken to equity (net of tax), investments securities FVOCI	54,318	37,974	55,585	39,688
Total	**296,446**	**280,102**	**295,585**	**279,688**

The table below presents the fair value reserve for financial assets FVOCI:

In RON thousand	Group 2020	Group 2019	Bank 2020	Bank 2019
At 1 January	**37,974**	**20,801**	**39,688**	**22,674**
Change in fair value reserve (for financial assets FVOCI)	46,236	17,173	45,789	17,014
Reclassification of the valuation reserve of financial assets	(29,892)	-	(29,892)	-
At 31 December	**54,318**	**37,974**	**55,585**	**39,688**

During 2020, there was a reclassification of the valuation reserve of financial assets from cumulative other comprehensive income to retained earnings, in amount of RON 29,892 thousand. This reclassification is in relation to Visa shares and is further explained in Note 23.

40. RELATED PARTY TRANSACTIONS

The Group entered into a number of banking transactions with Raiffeisen Bank International AG, the ultimate controlling party, and its subsidiaries in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rate.
The transactions and balances with related parties are presented in tables below:

Group

In RON thousand	2020					
	Ultimate controlling entity	**Associates**	**Joint ventures**	**Key Personnel**	**Other interest**	**Total**
Trading assets	883	-	-	-	-	883
Derivative assets held for risk management	729	-	-	-	-	729
Loans and advances to banks at amortised cost	48,266	-	-	-	243	48,509
Investment in subsidiaries, associates and joint ventures	-	15,545	-	-	-	15,545
Equity instruments at fair value through other comprehensive income	-	-	-	-	44,989	44,989
Loans and advances to customers at amortised cost	-	-	-	7,368	227,457	234,825
Other assets	90	123	-	-	3,674	3,887
Outstanding assets	**49,968**	**15,668**	**-**	**7,368**	**276,363**	**349,367**
Derivative liabilities held for risk management	15,971	-	-	-	-	15,971
Derivatives – Hedge accounting	21,488	-	-	-	-	21,488
Trading liabilities	12,618	-	-	-	-	12,618
Deposits from banks	12,832	-	-	-	2,747	15,579
Deposits from customers	-	10	-	-	36,194	36,204
Subordinated liabilities	416,326	-	-	-	-	416,326
Other equity instruments	238,575	-	-	-	-	238,575
Other liabilities	17,677	-	-	-	3,795	21,472
Outstanding liabilities	**735,487**	**10**	**-**	**-**	**42,736**	**778,233**
Guarantees issued	41,344	-	-	-	9,763	51,107
Commitments received	243,470	-	-	-	-	243,470
Guarantees received	124,633	-	-	-	52,676	177,309
Notional amount of derivative instruments	2,200,005	-	-	-	-	2,200,005

40. RELATED PARTY TRANSACTIONS (continued)

In RON thousand	2019					
	Ultimate controlling entity	**Associates**	**Joint ventures**	**Key Personnel**	**Other interest**	**Total**
Trading assets	354	-	-	-	-	354
Derivative assets held for risk management	8,843	-	-	-	-	8,843
Loans and advances to banks at amortised cost	46,061	-	-	-	1,267	47,328
Investment in subsidiaries, associates and joint ventures	-	17,780	-	-	-	17,780
Equity instruments at fair value through other comprehensive income	-	-	-	-	61,902	61,902
Loans and advances to customers at amortised cost	-	-	-	6,982	216,136	223,118
Other assets	330	-	-	-	35	365
Outstanding assets	**55,588**	**17,780**	**-**	**6,982**	**279,340**	**359,690**
Derivative liabilities held for risk management	25,249	-	-	-	-	25,249
Derivatives – Hedge accounting	3,497	-	-	-	-	3,497
Trading liabilities	6,737	-	-	-	-	6,737
Deposits from banks	16,833	-	-	-	2,865	19,698
Deposits from customers	-	-	-	-	32,950	32,950
Subordinated liabilities	408,645	-	-	-	-	408,645
Other equity instruments	238,599	-	-	-	-	238,599
Outstanding liabilities	**699,560**	**-**	**-**	**-**	**35,815**	**735,375**
Guarantees issued	28,936	-	-	-	49,319	78,255
Commitments received	238,965	-	-	-	-	238,965
Guarantees received	78,196	-	-	-	58,507	136,703
Notional amount of derivative instruments	3,434,087	-	-	-	-	3,434,087

40. RELATED PARTY TRANSACTIONS (continued)

Bank

	2020						
In RON thousand	**Ultimate controlling entity**	**Subsidiaries**	**Associates**	**Joint ventures**	**Key Personnel**	**Other interest**	**Total**
Trading assets	883	-	-	-	-	-	883
Derivative assets held for risk management	729						729
Loans and advances to banks at amortised cost	48,266	12,002	-	-	-	243	60,511
Investment in subsidiaries, associates and joint ventures	-	91,884	15,283	-	-		107,167
Equity instruments at fair value through other comprehensive income						44,989	44,989
Loans and advances to customers at amortised cost	-	487,526	-	-	7,368	227,457	722,351
Other assets	90	5,245	123	-	-	3,674	9,132
Outstanding assets	49,968	596,657	15,406	-	7,368	276,363	945,762
Derivative liabilities held for risk management	15,971	-	-	-	-	-	15,971
Derivatives – Hedge accounting	21,488						21,488
Trading liabilities	12,618						12,618
Deposits from banks	12,832	109	-	-	-	2,747	15,688
Deposits from customers	-	44,358	10	-	-	36,194	80,562
Debt securities issued	-	-				-	-
Subordinated liabilities	416,326	-	-	-	-	-	416,326
Other equity instruments	238,575	-	-	-	-	-	238,575
Other liabilities	17,677	-	-	-	-	3,795	21,472
Outstanding liabilities	**735,487**	**44,467**	**10**	**0**	**0**	**42,736**	**822,700**
Commitments given	-	109,127	-	-	-	-	109,127
Guarantees issued	41,344	-	-	-	-	9,763	51,107
Commitments received	243,470	-	-	-	-	-	243,470
Guarantees received	124,633	-	-	-	-	52,676	177,309
Notional amount of derivative instruments	2,200,005	-	-	-	-	-	2,200,005

40. RELATED PARTY TRANSACTIONS (continued)

	2019						
In RON thousand	**Ultimate controlling entity**	**Subsidiaries**	**Associates**	**Joint ventures**	**Key Personnel**	**Other interest**	**Total**
Trading assets	354	-	-	-	-	-	354
Derivative assets held for risk management	8,843	-	-	-	-	-	8,843
Loans and advances to banks at amortised cost	46,061	-	-	-	-	1,267	47,328
Investment in subsidiaries, associates and joint ventures	-	91,884	6,069	-	-	-	97,953
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	61,902	61,902
Loans and advances to customers at amortised cost	-	495,410	-	-	6,982	216,136	718,528
Other assets	330	6,214	-	-	-	35	6,579
Outstanding assets	**55,588**	**593,508**	**6,069**	**-**	**6,982**	**279,340**	**941,487**
Derivative liabilities held for risk management	25,249	-	-	-	-	-	25,249
Derivatives – Hedge accounting	3,497	-	-	-	-	-	3,497
Trading liabilities	6,737	-	-	-	-	-	6,737
Deposits from banks	16,833	229	-	-	-	2,865	19,927
Deposits from customers	-	36,106	-	-	-	32,950	69,056
Debt securities issued	-	-	-	-	-	-	-
Subordinated liabilities	408,645	-	-	-	-	-	408,645
Other equity instruments	238,599	-	-	-	-	-	238,599
Outstanding liabilities	**699,560**	**36,335**	**-**	**-**	**-**	**35,815**	**771,710**
Commitments given	-	98,027	-	-	-	-	98,027
Guarantees issued	28,936	-	-	-	-	49,319	78,255
Commitments received	238,965	-	-	-	-	-	238,965
Guarantees received	78,196	-	-	-	-	58,507	136,703
Notional amount of derivative instruments	3,434,087	-	-	-	-	-	3,434,087

40. RELATED PARTY TRANSACTIONS (continued)

Group

In RON thousand	2020					
	Ultimate controlling entity	**Associates**	**Joint ventures**	**Key Personnel**	**Other interest**	**Total**
Interest income	60	-	-	90	4,673	**4,823**
Interest expense	(18,866)	-	-	-	(5)	**(18,871)**
Fees and commissions income	3,408	13	-	-	741	**4,162**
Fees and commissions expenses	(3,486)	-	-	-	(20,805)	**(24,291)**
Net trading income	(43,069)	-	-	-	-	**(43,069)**
Operating expenses	(35,021)	-	-	-	(8,937)	**(43,958)**
Personnel expenses	-	-	-	(35,549)	-	**(35,549)**
Other operating income	-	-	-	-	1,294	**1,294**

In RON thousand	2019					
	Ultimate controlling entity	**Associates**	**Joint ventures**	**Key Personnel**	**Other interest**	**Total**
Interest income	175	-	-	61	4,478	**4,714**
Interest expense	(49,785)	-	-	-	(121)	**(49,906)**
Fees and commissions income	865	13	-	-	634	**1,512**
Fees and commissions expenses	(1,887)	-	-	-	(10,522)	**(12,409)**
Net trading income	(26,488)	-	-	-	-	**(26,488)**
Operating expenses	(23,463)	-	-	-	(13,185)	**(36,648)**
Personnel expenses	-	-	-	(36,018)	-	**(36,018)**
Other operating income	-	-	-	-	1,294	**1,294**

Operating expenses include mostly IT costs, legal, advisory and consulting expenses and office space expenses such as rental, maintenance and others.

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40. RELATED PARTY TRANSACTIONS (continued)

Bank

In RON thousand	2020						
	Ultimate controlling entity	**Subsidiaries**	**Associates**	**Joint ventures**	**Key Personnel**	**Other interest**	**Total**
Interest income	60	6,236	-	-	90	4,673	**11,059**
Interest expense	(18,866)	(81)	-	-	-	(5)	**(18,952)**
Fees and commissions income	3,408	6,065	13		-	741	**10,227**
Fees and commissions expenses	(3,486)	-	-	-	-	(20,805)	**(24,291)**
Net trading income	(43,069)	-	-	-	-	-	**(43,069)**
Operating expenses	(35,021)					(8,937)	**(43,958)**
Personnel expenses	-	-	-	-	(35,549)	-	**(35,549)**
Dividend income	-	39,751	-		-	-	**39,751**
Other operating income	-	2,161	-	-	-	1,294	**3,455**

In RON thousand	2019						
	Ultimate controlling entity	**Subsidiaries**	**Associates**	**Joint ventures**	**Key Personnel**	**Other interest**	**Total**
Interest income	175	5,188	-	-	61	4,478	**9,902**
Interest expense	(49,785)	(30)	-	-	-	(121)	**(49,936)**
Fees and commissions income	865	13,314	13	-	-	634	**14,826**
Fees and commissions expenses	(1,887)	-	-	-	-	(10,522)	**(12,409)**
Net trading income	(26,488)	-	-	-	-	-	**(26,488)**
Operating expenses	(23,463)	-	-	-	-	(13,185)	**(36,648)**
Personnel expenses	-	-	-	-	(36,018)	-	**(36,018)**
Dividend income	-	4,869	926	-	-	-	**5,795**
Other operating income	-	1,856	-	-	-	-	**1,856**

40. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel

Key management personnel is comprised of the members of the Supervisory Board, Management Board and other senior management as defined by the National Bank of Romania Regulation no.5/20.12.2013 related to the prudential requirements for credit institutions and amended by the Regulation no.5/17.12.2014.

The transactions between the Group and key management personnel are in the normal course of business, representing: loans granted, deposits placed, foreign currency transactions and guarantees issued.

The volumes of key management personnel transactions as at year-end and expense and income for the year are presented in the below tables.

In RON thousand	**Group**		**Bank**	
	2020	**2019**	**2020**	**2019**
Loans and advances to customers	7,368	6,982	7,368	6,982
Interest income and fees and commission income	90	61	90	61
Impairment for loans and advances to customer	207	55	207	55
Deposits	-	-	-	-
Interest expense	-	-	-	-

The following table shows total remuneration of the members of the Key management personnel according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards, respectively IAS 19:

Key management personnel compensation

	Group		**Bank**	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Short-term employee benefits	32,579	32,475	32,579	32,475
Other long term benefits	2,970	3,543	2,970	3,543
Total compensation	**35,549**	**36,018**	**35,549**	**36,018**

Short-term employee benefits shown in the above table contain salaries and benefits in kind and other benefits and those parts of the bonuses which become due for the short term. Furthermore, changes possibly arising from the difference between the bonus provision and the later awarded bonus are also contained.

Other long-term benefits contain bonus payments, deferred on a period above one year, payable in cash.

41. COMMITMENTS AND CONTINGENCIES

i) Credit related commitments

Guarantees and letters of credit

The Group issues guarantees and letters of credit for its customers. Guarantees and letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. The primary purpose of letters of credit is to ensure that funds are available to a customer as required.

Credit related commitments

Loan commitments represent unused amounts of approved credit facilities.

Off-balance sheet contractual amounts of loan commitments, guarantees and letters of credit issued are presented in the following table:

	Group		Bank	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
In RON thousand				
Loan commitments	11,494,507	10,506,500	11,458,820	10,432,786
Guarantees issued	2,076,377	1,786,170	2,076,377	1,782,170
Letters of credit	689,978	539,063	689,978	539,063
Total	**14,260,862**	**12,831,733**	**14,225,175**	**12,754,019**

The tables below present for 31 December 2020, the split of credit related commitments on stages and credit quality:

Group
Non-retail financial guarantees given

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Excellent	100	-	-	100
Strong	829,920	759	-	830,679
Good	1,037,447	4,234	-	1,041,681
Satisfactory	616,890	117,121	-	734,011
Substandard	348	30,270	934	31,552
Impaired	-	-	109,563	109,563
Unrated	317	479	-	796
Total	**2,485,022**	**152,863**	**110,497**	**2,748,382**

Group
Non-retail financial guarantees given

In RON thousand	31 December 2019			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Excellent	3,300	470	-	3,770
Strong	613,553	916	-	614,469
Good	676,061	2,447	-	678,508
Satisfactory	856,543	34,457	-	891,000
Substandard	4,120	2,907	-	7,027
Impaired	-	-	102,020	102,020
Unrated	5,516	167	-	5,683
Total	**2,159,093**	**41,364**	**102,020**	**2,302,477**

41. COMMITMENTS AND CONTINGENCIES (continued)

Group
Non-retail loan commitments given

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Excellent	20,281	3,183	-	23,464
Strong	2,503,355	23,413	-	2,526,768
Good	3,005,573	73,217	-	3,078,790
Satisfactory	1,814,225	409,975	-	2,224,200
Substandard	499	9,768	2,869	13,136
Impaired	34	-	14,196	14,230
Unrated	283,572	1,329	561	285,462
Total	**7,627,539**	**520,885**	**17,626**	**8,166,050**

Group
Non-retail loan commitments given

In RON thousand	31 December 2019			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Excellent	191,246	322	-	191,568
Strong	2,503,845	21,120	-	2,524,965
Good	2,249,119	145,363	-	2,394,482
Satisfactory	2,011,312	86,145	-	2,097,457
Substandard	1,711	54,531	-	56,242
Impaired	13	-	61,793	61,806
Unrated	48,886	134	-	49,020
Total	**7,006,132**	**307,615**	**61,793**	**7,375,540**

Bank
Non-retail financial guarantees given

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Excellent	100	-	-	100
Strong	829,920	759	-	830,679
Good	1,037,447	4,234	-	1,041,681
Satisfactory	616,890	117,121	-	734,011
Substandard	348	30,270	934	31,552
Impaired	-	-	109,563	109,563
Unrated	317	479	-	796
Total	**2,485,022**	**152,863**	**110,497**	**2,748,382**

Bank
Non-retail financial guarantees given

In RON thousand	31 December 2019			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Excellent	3,300	470	-	3,770
Strong	613,553	916	-	614,469
Good	676,061	2,447	-	678,508
Satisfactory	856,543	34,457	-	891,000
Substandard	4,120	2,907	-	7,027
Impaired	-	-	102,020	102,020
Unrated	1,516	167	-	1,683
Total	**2,155,093**	**41,364**	**102,020**	**2,298,477**

41. COMMITMENTS AND CONTINGENCIES (continued)

Bank
Non-retail loan commitments given

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Excellent	20,281	3,183	-	23,464
Strong	2,501,357	23,413	-	2,524,770
Good	2,999,448	73,217	-	3,072,665
Satisfactory	1,797,034	409,975	-	2,207,009
Substandard	499	9,768	2,869	13,136
Impaired	34	-	14,196	14,230
Unrated	273,759	1,329	-	275,088
Total	**7,592,412**	**520,885**	**17,065**	**8,130,362**

Bank
Non-retail loan commitments given

In RON thousand	31 December 2019			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Excellent	191,246	322	-	191,568
Strong	2,502,525	21,120	-	2,523,645
Good	2,229,558	145,363	-	2,374,921
Satisfactory	1,974,724	85,701	-	2,060,425
Substandard	1,685	54,531	-	56,216
Impaired	13	-	60,968	60,981
Unrated	48,886	134	-	49,020
Total	**6,948,637**	**307,171**	**60,968**	**7,316,776**

Group
Retail financial guarantees given

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Minimal Risk	-	681	-	681
Excellent Credit Standing	-	4,323	-	4,323
Very Good Credit Standing	-	4,866	-	4,866
Good Credit Standing	-	123	-	123
Sound Credit Standing	-	186	-	186
Acceptable Credit Standing	-	258	-	258
Marginal Credit Standing	-	-	-	-
Weak Credit Standing	-	-	-	-
Very Weak Credit Standing	-	-	-	-
Default	-	-	-	-
Not Rated	-	9,623	-	9,623
Total	-	20,060	-	20,060

In RON thousand	31 December 2019			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Minimal Risk	-	11,369	-	**11,369**
Excellent Credit Standing	-	187	-	**187**
Very Good Credit Standing	-	443	-	**443**
Good Credit Standing	-	-	-	**-**
Sound Credit Standing	-	-	-	**-**
Acceptable Credit Standing	-	44	-	**44**
Marginal Credit Standing	-	-	-	**-**
Weak Credit Standing	-	-	-	**-**
Very Weak Credit Standing	-	-	-	**-**
Default	-	-	-	**-**
Not Rated	-	10,713	-	**10,713**
Total	**-**	**22,756**	**-**	**22,756**

In "Not Rated" category are also included retail exposures of subsidiaries for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, general IFRS 9 impairment rules apply, as described in *Note 3 (ix) Identification and measurement of impairment*.

41. COMMITMENTS AND CONTINGENCIES (continued)

Group
Retail loan commitments given

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Minimal Risk	887,145	155,185	-	1,042,330
Excellent Credit Standing	175,187	284,122	-	459,309
Very Good Credit Standing	713,697	357,094	-	1,070,791
Good Credit Standing	313,814	102,035	-	415,849
Sound Credit Standing	124,664	46,311	-	170,975
Acceptable Credit Standing	65,219	16,841	-	82,060
Marginal Credit Standing	33,446	12,925	-	46,371
Weak Credit Standing	496	546	-	1,042
Very Weak Credit Standing	2,184	4,938	-	7,122
Default	-	-	14,274	14,274
Not Rated	10,609	20,230	-	30,839
Total	**2,326,462**	**1,000,227**	**14,274**	**3,340,962**

In RON thousand	31 December 2019			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Minimal Risk	961,311	123,738	-	1,085,049
Excellent Credit Standing	40,349	300,268	-	340,617
Very Good Credit Standing	703,946	265,740	-	969,686
Good Credit Standing	261,159	61,824	-	322,983
Sound Credit Standing	169,875	29,073	-	198,948
Acceptable Credit Standing	72,895	15,491	-	88,386
Marginal Credit Standing	32,355	6,261	-	38,616
Weak Credit Standing	4,595	5,181	-	9,776
Very Weak Credit Standing	1,892	3,540	-	5,432
Default	248	-	10,075	10,323
Not Rated	45,815	15,330	-	61,145
Total	**2,294,440**	**826,446**	**10,075**	**3,130,961**

Bank
Retail Financial guarantees given

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Minimal Risk	-	681	-	681
Excellent Credit Standing	-	4,323	-	4,323
Very Good Credit Standing	-	4,866	-	4,866
Good Credit Standing	-	123	-	123
Sound Credit Standing	-	186	-	186
Acceptable Credit Standing	-	258	-	258
Marginal Credit Standing	-	-	-	-
Weak Credit Standing	-	-	-	-
Very Weak Credit Standing	-	-	-	-
Default	-	-		-
Not Rated	-	9,623	-	9,623
Total	-	20,060	-	20,060

In “Not Rated” category are also included retail exposures of subsidiaries for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, a simplified approach is used for impairment calculation.

41. COMMITMENTS AND CONTINGENCIES (continued)

In RON thousand	31 December 2019			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Individual**	**Total**
Minimal Risk	-	11,369	-	11,369
Excellent Credit Standing	-	187	-	187
Very Good Credit Standing	-	443	-	443
Good Credit Standing	-	-	-	-
Sound Credit Standing	-	-	-	-
Acceptable Credit Standing	-	44	-	44
Marginal Credit Standing	-	-	-	-
Weak Credit Standing	-	-	-	-
Very Weak Credit Standing	-	-	-	-
Default	-	-	-	-
Not Rated	-	10,713	-	10,713
Total	**-**	**22,756**	**-**	**22,756**

Bank

Retail Loan commitments given

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Collective**	**Total**
Minimal Risk	887,145	155,185	-	1,042,330
Excellent Credit Standing	175,187	284,122	-	459,309
Very Good Credit Standing	713,697	357,094	-	1,070,791
Good Credit Standing	313,814	102,035	-	415,849
Sound Credit Standing	124,664	46,311	-	170,975
Acceptable Credit Standing	65,219	16,841	-	82,060
Marginal Credit Standing	33,446	12,925	-	46,371
Weak Credit Standing	496	546	-	1,042
Very Weak Credit Standing	2,184	4,938	-	7,122
Default	-	-	14,274	14,274
Not Rated	551	20,230	-	20,781
Total	**2,316,404**	**1,000,227**	**14,274**	**3,330,905**

Bank

Retail Loan commitments given

In RON thousand	31 December 2019			
Internal rating grade	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3 Collective**	**Total**
Minimal Risk	961,311	123,738	-	1,085,049
Excellent Credit Standing	40,349	300,268	-	340,617
Very Good Credit Standing	703,946	265,740	-	969,686
Good Credit Standing	261,159	61,824	-	322,983
Sound Credit Standing	169,875	29,073	-	198,948
Acceptable Credit Standing	72,895	15,491	-	88,386
Marginal Credit Standing	32,355	6,261	-	38,616
Weak Credit Standing	4,595	5,181	-	9,776
Very Weak Credit Standing	1,892	3,540	-	5,432
Default	248	-	10,075	10,323
Not Rated	30,865	15,330	-	46,195
Total	**2,279,490**	**826,446**	**10,075**	**3,116,011**

In “Not Rated” category are also included retail exposures of subsidiaries for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, a simplified approach is used for impairment calculation.

ii) Other contingent liabilities

On August 2018, ANPC started an inspection regarding loans originated by the Bank and subsequently sold to other entities. The inspection is not finalised at the date of these financial statements and no provision has been booked in respect of this inspection.
The current estimation about the maximum potential loss as a result of an unfavourable decision in the litigation between ABL and the Romanian Court of Auditors, described in note 36 above, is RON 259,877 thousand, out of which the amount of RON 91,597 thousand is provisioned (2019: RON 47,903 thousand).

42. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

Group

	2020			2019		
In RON thousand	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and cash with Central Bank	10,854,199	-	10,854,199	6,506,880	-	6,506,880
Loans and advances to banks at amortised cost	972,059	-	972,059	207,307	-	207,307
Derivative assets held for risk management	729	-	729	7,449	1,394	8,843
Trading assets	149,439	204,832	354,271	169,136	233,795	402,931
Financial assets mandatorily at fair value through profit or loss	111,329	282,518	393,847	81,135	282,390	363,525
Investment securities at fair value through other comprehensive income	807,662	2,404,866	3,212,528	694,299	1,703,862	2,398,161
Equity instruments at fair value through other comprehensive income	-	44,989	44,989	-	61,902	61,902
Investment in subsidiaries, associates and joint ventures	-	29,419	29,419	-	17,780	17,780
Loans and advances to customers at amortised cost	8,502,371	20,270,689	28,773,060	8,768,786	18,824,848	27,593,634
Fair value changes of the hedged items-hedge accounting	-	10,449	10,449		3,204	3,204
Investment securities at amortised cost	294,754	5,800,955	6,095,709	616,119	4,336,657	4,952,776
Current tax receivable	19,937	126,274	146,211	365	144,366	144,731
Other assets	160,414	108,765	269,179	334,920	16,377	351,297
Deferred tax assets	-	26,621	26,621	-	21,175	21,175
Property, plant and equipment	-	565,779	565,779	-	588,570	588,570
Intangible assets	-	304,156	304,156	-	233,512	233,512
Total	**21,872,893**	**30,180,312**	**52,053,205**	**17,386,396**	**26,469,832**	**43,856,228**

In RON thousand	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Trading liabilities	23,393	-	23,393	15,091	-	15,091
Derivative liabilities held for risk management	-	15,971	15,971	9,619	15,685	25,304
Deposits from banks	338,463	-	338,463	308,670	-	308,670
Deposits from customers	43,153,167	399,866	43,553,033	35,851,685	257,141	36,108,826
Loans from banks and other financial institutions	91,572	340,606	432,178	341,427	171,535	512,962
Derivatives - hedge accounting	-	21,488	21,488	-	3,497	3,497
Current tax liabilities	992	-	992	7,413	-	7,413
Other liabilities	602,080	310,731	912,811	627,662	287,059	914,721
Debt securities issued	-	480,092	480,092	-	480,617	480,617
Subordinated liabilities	97,870	318,456	416,326	-	408,645	408,645
Provisions	142,237	212,592	354,829	94,274	145,503	239,777
Deferred tax liabilities	-	85	85	-	-	-
Total	**44,449,774**	**2,099,887**	**46,549,661**	**37,255,841**	**1,769,682**	**39,025,523**

42. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

Bank

	2020			2019		
In RON thousand	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and cash with Central Bank	10,853,779	-	10,853,779	6,506,056	-	6,506,056
Loans and advances to banks at amortised cost	971,166	-	971,166	201,002	-	201,002
Derivative assets held for risk management	729	-	729	7,449	1,394	8,843
Trading assets	149,439	204,832	354,271	169,136	233,795	402,931
Financial assets mandatorily at fair value through profit or loss	96,628	282,518	379,146	61,235	282,390	343,625
Investment securities at fair value through other comprehensive income	829,153	2,321,731	3,150,884	694,299	1,632,072	2,326,371
Equity instruments at fair value through other comprehensive income	-	44,989	44,989	-	61,902	61,902
Investment in subsidiaries, associates and joint ventures	-	107,166	107,166	-	97,953	97,953
Loans and advances to customers at amortised cost	8,145,459	20,075,392	28,220,851	8,364,182	18,597,232	26,961,414
Fair value changes of the hedged items-hedge accounting	-	10,449	10,449	-	3,204	3,204
Investment securities at amortised cost	294,754	5,617,851	5,912,605	422,355	4,251,877	4,674,232
Current tax receivable	19,171	126,274	145,445	-	144,366	144,366
Other assets	121,511	124,376	245,887	196,847	115,258	312,105
Deferred tax assets	-	21,482	21,482	-	18,334	18,334
Property, plant and equipment	-	563,599	563,599	-	586,246	586,246
Intangible assets	-	300,464	300,464	-	230,140	230,140
Total	**21,481,789**	**29,801,123**	**51,282,912**	**16,622,561**	**26,256,163**	**42,878,724**

In RON thousand						
Trading liabilities	23,393	-	23,393	15,091	-	15,091
Derivative liabilities held for risk management	-	15,971	15,971	9,619	15,685	25,304
Deposits from banks	338,463	-	338,463	308,670	-	308,670
Deposits from customers	43,009,674	385,254	43,394,928	35,616,578	185,732	35,802,310
Loans from banks and other financial institutions	-	17,657	17,657	9,058	33,211	42,269
Derivatives - hedge accounting	-	21,488	21,488	-	3,497	3,497
Current tax liabilities	-	-	-	5,207	-	5,207
Other liabilities	590,760	310,731	901,491	542,633	360,964	903,597
Debt securities issued	-	480,092	480,092	-	480,617	480,617
Subordinated liabilities	97,870	318,456	416,326	-	408,645	408,645
Provisions	148,308	148,044	296,352	91,984	96,540	188,524
Total	**44,208,468**	**1,697,693**	**45,906,161**	**36,598,840**	**1,584,891**	**38,183,731**

43. CAPITAL

The capital management of the Group is defined through the capital strategy approved by the Management Board and is reviewed at least once every year.

The primary objective of the Group's capital management is to ensure an adequate level of capital which meets not only the regulatory requirements, but also the limits set in the capital strategy.

The Management Board of the Group actively manages the capital structure and seeks to maintain at all times a higher level of capital than the regulatory one in order to ensure a comfortable position in achieving the Group's business objectives.

No major changes have been made to the objectives and policies regarding capital management compared to the previous year.

Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No.648/2012 requires that the Group maintain a minimum Common Equity Tier 1 capital ratio of 4.5 %, a minimum Tier 1 capital ratio of 6 % and a minimum total capital ratio of 8 %.

According to supervisory review, Group was requested through an official notification to hold additional capital to cover risks which are not or not adequately taken into account under pillar I. The Group is also subject to Conservation and other systemically important institutions buffer. The Group is compliant with all of the above requirements.

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Tier 1 Capital, of which:	4,916,590	3,844,529	4,787,504	3,767,468
Common Equity Tier 1 (CET 1) Capital	4,678,015	3,605,930	4,548,929	3,528,869
Additional Tier 1 Capital	238,575	238,930	238,575	238,599
Tier 2 Capital	910,857	919,740	899,951	920,369
Total capital	**5,827,447**	**4,764,269**	**5,687,455**	**4,687,837**
Risk weighted assets	**25,756,912**	**24,548,439**	**24,644,051**	**23,275,635**
Common Equity Tier 1 Capital ratio	18.16%	14,69%	18.46%	15,16%
Tier 1 Capital ratio	19.09%	15,66%	19.43%	16,19%
Total Capital ratio	22.62%	19,41%	23.08%	20,14%

Regulatory capital consists of Tier 1 and Tier 2 layers of capital. Tier 1 is made of share capital, premium reserves, retained earnings (excluding current year profit) and deductions according to legislation in force. Tier 2 capital includes subordinated long term debt and deductions according to legislation in force.

As of December 2019, the Group issued Additional Tier 1 Notes in amount of RON 238,599 thousand that were purchased by Raiffeisen Bank International AG. The instruments are classified as equity instruments in accordance to IAS 32 "Financial Instruments: Presentation" and meet the criteria for inclusion in Group Tier 1 capital (see *note 38 Other equity instruments*).

Also in December 2019, the Bank issued unsecured, subordinated RON-denominated bonds in nominal amount of RON 480,000 thousand that qualify as Tier 2 instruments as defined by Regulation (EU) No. 575/2013 (see note *34 Total long term debt*).

44. SEGMENTS CONSOLIDATION

Key decisions are made by chief operating decision makers determining the resources allocated to each segment based on its financial strength and profitability.

The Group follows financial performance and steers the business by segments and products, namely customer business consists of Corporate, Retail, Financial Institutions and Own employees. Corporate comprises legal entities with an annual turnover exceeding EUR 5 million. Retail contains individual clients and legal entities with an annual turnover below the EUR 5 million threshold (small and medium entities), while Financial Institutions (part of Treasury Division) deals with brokers, banks, insurance companies, leasing firms, investment and pension funds, as well as asset management companies.

The Group offers a wide array of banking services to its customers, adapted to the ever changing needs of our clients, but with maintained focus on the basics of banking.

Customer business lines bring in more than 85% of the Group's operating income, with following specifics worth mentioning: corporate clients chiefly draw their revenue streams from lending business, followed by fees from cash management, account services, foreign currency deals and investment banking activity.

Small clients also share these characteristics, while their unique business traits are visible through more intense payment and account activity, thus generating visibly greater proportion of the revenues as fees.

Private individual customers provide a highly diversified revenue source for the Group, mainly from unsecured loans, credit card and overdraft facilities, but also from mortgage loans, saving products and transactional business, FX deals and asset management services, as well as from the activity of intermediating transactions on the stock exchange; the Group continues to focus its attention on promoting alternative channels usage and thus provide improved services with advantages for both sides. Revenues are also brought in from loans and deposits granted to own employees, reported below as part of segment “Others”.

Proprietary business consists of Treasury Division (less Financial Institutions) and "Others" segment (less Own employees). The first mainly provides income streams from treasury activities, namely trading revenues, net income from financial assets held at fair value through profit or loss, as well as from interest contribution. The latter shows revenues mainly obtained as a result of transfers among segments, capital benefit, income generated by participations.

Regarding the segmentation by geographical area, the Group is performing its activity mainly under geographical area of Romania.

44. SEGMENTS CONSOLIDATION (continued)

Group	2020					
In RON thousand	Corporate Customers	Private Individuals	SME	Treasury Division	Others	Total unit
Total Assets before impairment allowance on loans and advances to customers at amortised cost	10,723,320	15,857,000	2,856,958	18,655,733	5,291,723	53,384,734
Impairment allowance on loans and advances to customers at amortised cost	(290,857)	(822,975)	(163,487)	(113)	(54,097)	(1,331,529)
Total Assets	**10,432,463**	**15,034,025**	**2,693,471**	**18,655,620**	**5,237,626**	**52,053,205**
Total Liabilities	**8,669,196**	**26,203,117**	**7,501,115**	**2,702,675**	**1,473,558**	**46,549,661**
Equity	**-**	**-**	**-**	**-**	**5,503,544**	**5,503,544**
Net interest income	327,901	988,722	268,876	28,892	135,256	1,749,647
Net commission income	117,865	200,334	183,907	28,834	(3,610)	527,330
Net trading income	45,378	139,698	55,069	92,956	341	333,442
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(28)	13,882	2,661	783	186	17,484
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	8,168	1	8,169
Other net operating income	-	-	-	-	25,042	25,042
Total Operating income	**491,116**	**1,342,636**	**510,513**	**160,434**	**157,216**	**2,661,915**
Operating expenses	(116,845)	(467,426)	(152,954)	(24,612)	(147,227)	(909,064)
Personnel expenses	(90,478)	(398,421)	(146,377)	(19,745)	(11,255)	(666,276)
Net provisioning for impairment allowance on financial assets	(83,581)	(163,409)	(68,351)	(2,262)	2,072	(315,531)
Share of gain from associates and joint ventures	-	-	-	-	(261)	(261)
Negative goodwill	-	-	-	-	-	-
Profit before tax	**200,212**	**313,380**	**142,831**	**113,815**	**545**	**770,783**
Income taxes	0	0	0	0	(134,174)	(134,174)
Profit after tax	**200,212**	**313,380**	**142,831**	**113,815**	**(133,629)**	**636,609**

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the consolidated and separate financial statements is provided as a free translation from Romanian which is the official and binding version.

44.SEGMENTS CONSOLIDATION (continued)

Group

	2019					
In RON thousand	**Corporate Customers**	**Private Individuals**	**SME**	**Treasury Division**	**Others**	**Total unit**
Total Assets before impairment allowance on loans and advances to customers at amortised cost	10,470,954	15,243,341	2,604,962	12,242,410	4,420,160	44,981,827
Impairment allowance on loans and advances to customers at amortised cost	(248,777)	(738,423)	(124,015)	(54)	(14,163)	(1,125,432)
Total Assets	**10,222,177**	**14,504,918**	**2,480,947**	**12,242,356**	**4,405,997**	**43,856,395**
Total Liabilities	**7,245,869**	**21,498,873**	**6,046,871**	**2,842,730**	**1,391,347**	**39,025,690**
Equity	**-**	**-**	**-**	**-**	**4,830,705**	**4,830,705**
Net interest income	342,035	953,997	241,204	110,037	112,031	1,759,304
Net commission income	124,582	241,333	202,240	20,586	(4,999)	583,742
Net trading income	51,235	162,598	57,690	60,507	782	332,812
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	467	38,592	473	681	87	40,300
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	4,054	-	4,054
Gains or (-) losses from hedge accounting, net	-	-	-	34	-	34
Other net operating income	-	-	-	-	25,693	25,693
Total Operating income	**518,319**	**1,396,520**	**501,607**	**195,899**	**133,594**	**2,745,939**
Operating expenses	(115,519)	(454,029)	(146,700)	(19,513)	(212,461)	(948,222)
Personnel expenses	(81,237)	(373,020)	(131,022)	(17,445)	(5,297)	(608,021)
Net provisioning for impairment allowance on financial assets	(34,606)	(129,552)	(18,502)	(969)	7,200	(176,429)
Negative goodwill	-	7,204	-	-	-	7,204
Share of gain from associates and joint ventures	-	1,062	-	-	847	1,909
Profit before tax	**286,957**	**448,185**	**205,383**	**157,972**	**(76,117)**	**1,022,380**
Income taxes	-	-	-	-	(187,670)	(187,670)
Profit after tax	**286,957**	**448,185**	**205,383**	**157,972**	**(263,787)**	**834,710**

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44. SEGMENTS CONSOLIDATION (continued)

Bank

	2020					
In RON thousand	**Corporate Customers**	**Private Individuals**	**SME**	**Treasury Division**	**Others**	**Total unit**
Total Assets before impairment allowance on loans and advances to customers at amortised cost	10,551,371	15,807,286	2,611,745	18,373,576	5,223,641	52,567,619
Impairment allowance on loans and advances to customers at amortised cost	(288,527)	(822,949)	(153,767)	(113)	(19,351)	(1,284,707)
Total Assets	**10,262,844**	**14,984,337**	**2,457,978**	**18,373,463**	**5,204,290**	**51,282,912**
Total Liabilities	**8,666,667**	**26,013,985**	**7,501,081**	**2,306,210**	**1,418,218**	**45,906,161**
Equity	**-**	**-**	**-**	**-**	**5,376,751**	**5,376,751**
Net interest income	318,938	984,592	249,870	16,454	137,292	1,707,146
Net commission income	115,775	167,893	175,709	28,890	(3,540)	484,727
Net trading income	45,378	139,698	55,069	92,986	624	333,755
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(28)	13,882	2,661	282	186	16,983
Gains or (-) losses from hedge accounting, net	-	-	-	801	-	801
Net gains/(losses) on derecogn ition of financial assets measured at fair value through other comprehensive income	-	-	-	8,168	-	8,168
Other net operating income	-	-	-	-	62,834	62,834
Total Operating income	**480,063**	**1,306,065**	**483,309**	**147,581**	**197,396**	**2,614,414**
Operating expenses	(114,137)	(460,341)	(145,794)	(24,307)	(138,308)	(882,887)
Personnel expenses	(86,245)	(390,617)	(135,192)	(19,529)	(4,959)	(636,542)
Net provisioning for impairment allowance on financial assets	(81,251)	(163,382)	(58,631)	(2,262)	(15,839)	(321,365)
Profit before tax	**198,430**	**291,725**	**143,692**	**101,483**	**38,290**	**773,620**
Income taxes	-	-	-	-	(129,480)	(129,480)
Profit after tax	**198,430**	**291,725**	**143,692**	**101,483**	**(91,190)**	**644,140**

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44. SEGMENTS CONSOLIDATION (continued)

Bank

	2019					
In RON thousand	**Corporate Customers**	**Private Individuals**	**SME**	**Treasury Division**	**Others**	**Total unit**
Total Assets before impairment allowance on loans and advances to customers at amortised cost	10,270,691	15,176,913	2,297,793	11,854,097	4,372,509	43,972,003
Impairment allowance on loans and advances to customers at amortised cost	(235,901)	(738,364)	(103,965)	(54)	(14,995)	(1,093,279)
Total Assets	**10,034,790**	**14,438,549**	**2,193,828**	**11,854,043**	**4,357,514**	**42,878,724**
Total Liabilities	**7,238,664**	**21,175,041**	**6,042,726**	**2,386,024**	**1,341,276**	**38,183,731**
Equity	**-**	**-**	**-**	**-**	**4,694,993**	**4,694,993**
Net interest income	332,090	954,157	218,647	99,067	115,181	1719,142
Net commission income	121,861	202,789	193,100	20,908	(4,896)	533,762
Net trading income	51,235	162,598	57,690	60,430	774	332,727
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	467	38,592	473	-	87	39,619
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	4,053	-	4,053
Gains or (-) losses from hedge accounting, net	-	-	-	34	-	34
Other net operating income	-	-	-	-	29,709	29,709
Total Operating income	**505,653**	**1,358,136**	**469,910**	**184,492**	**140,855**	**2,659,046**
Operating expenses	(112,840)	(446,848)	(139,305)	(19,238)	(212,173)	(930,404)
Personnel expenses	(77,027)	(363,397)	(119,399)	(17,164)	(4,783)	(581,770)
Net provisioning for impairment allowance on financial assets	(35,804)	(129,579)	(11,889)	(969)	(8,799)	(187,040)
Profit before tax	**279,982**	**418,312**	**199,317**	**147,121**	**(84,900)**	**959,832**
Income taxes	-	-	-	-	(180,377)	(180,377)
Profit after tax	**279,982**	**418,312**	**199,317**	**147,121**	**(265,277)**	**779,455**

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45. SUBSEQUENT EVENTS

Aedificium Banca pentru Locuinte - capital increase

Following the legal provisions made by Aedificium Banca pentru Locuinte (ABL) in respect of its litigation with the Romanian Court of Auditors (further detailed in Note 36 Provisions), the result was that ABL was in breach of internal capital adequacy internal limit. On 11 March 2021, the Extraordinary General Shareholders Meeting of the ABL approved the increase of share capital by RON 65 million. The additional capital would allow ABL to continue its operations, considering the current estimate of the litigation.