Raiffeisen Bank

Annual Report 2022

Consolidated financial statements

	2022* EUR '000	2021* EUR '000	Change (%)
Profit and Loss			
Net interest income	486,735	364,677	33%
Net commission income	113,367	117,025	(3%)
Trading profit	66,753	73,064	(9%)
Administrative expenses	(338,186)	(323,664)	4%
Profit/(loss) before tax	301,475	212,877	42%
Profit/(loss) after tax, before the net income obtained from the sale of interrupted activity	254,734	166,357	53%
Net profit for the year	254,734	166,357	53%
Number of ordinary shares	12,000	12,000	–%
Earnings per share (in EUR/share)	21,228	13,863	53%
Balance Sheet			
Loans and advances to banks (including placements with banks)	65,397	306,870	(79%)
Loans and advances to customers	8,092,337	6,715,915	20%
Deposits from banks	116,850	72,262	62%
Loans from banks	78,887	69,739	13%
Deposits from customers	9,951,402	10,044,780	(1%)
Equity (including minorities and profit)	1,304,518	1,082,193	21%
Balance sheet total	12,651,040	12,092,209	5%
Regulatory Information			
Risk-weighted assets, including market risk	6,274,044	5,594,737	12%
Total own funds	1,313,549	1,169,491	12%
Total own funds requirement	501,923	447,579	12%
Excess cover ratio	162%	161%	–,4 pp
Core capital ratio (Tier 1), including market risk	16%	17%	(–.7 pp)
Own funds ratio	21%	21%	– pp
Performance			
Return on equity (ROE) before tax	27%	18%	9 pp
Return on equity (ROE) after tax	23%	15%	8.4 pp
Cost/income ratio	47%	49%	(2.8 pp)
Return on assets (ROA) before tax	2%	2%	–,6 pp
Risk/earnings ratio	6%	6%	– pp
Resources			
Number of employees	5,034	4,732	6%
Business outlets	291	300	(3%)

*Unofficial conversion, unaudited

Foreword and presentation of the Group

Raiffeisen Bank continued its digitization strategy in 2022. Almost the entire network operates now without cashier desks, customers increasingly using equipment such as ATMs, MFMs and multi-currency deposit equipment, alongside frequently accessed channels such as Raiffeisen Online and Smart Mobile.

"We achieved very good results in 2022, despite an economic environment strongly marked by volatility, inflation, and an unpredictable business environment. These results prove that we are ready to continue our development regardless of the economic context that we will be going through in the coming years and encourage us to look towards the future with confidence."

Foreword

2022 has been a challenging year from a macroeconomic perspective, but also with positive results that encourage us to look towards the future with confidence. It was a particular year, to say the least, from many points of view.

The banking industry faces an economic context dominated by volatility, inflation, and an unpredictable business environment. Despite all these, in 2022 we achieved very good results. These results prove that we are ready to continue our development regardless of the economic context that we will be going through in the coming years.

Most important to the organization is that we provide our clients with the best financial expertise and leading digital solutions. This can only be achieved by following the "People come first" philosophy which we managed to incorporate and which has had very good visible results. Through employee satisfaction surveys and feedback collected from more than 300,000 customers, we have been able to permanently improve our services and products, as well as the work environment and human interaction.

We have continued the process of constant and sustainable financing of the economy, in an economic environment dominated by high inflation and a greater need for working capital for companies in Romania. The Bank's loan balance increased by 22% in 2022, thanks to financial solutions adapted to the needs of our customers. We have successfully promoted products that encourage sustainability and responsible lending. Thus, real estate loans granted for energy class A buildings came to represent more than 50% of the volume of real estate loans granted by the Bank.

The year 2022 saw an increase in the number of digitally active customers. Approximately 1,250,000 individual customers use mobile/internet banking apps monthly and have benefited from new functionalities. One of the most important digital achievements of 2022 was the launch of the Bank's loyalty ecosystem, Smart Market, which brings together all customer segments in a unique app on the market. Thanks to it, legal entities, Bank customers, can promote products or services with discounts or rewards for individual clients.

I cannot but rejoice at the reconfirmation of the rating granted by the Moody's rating agency, in July 2022, for deposits – Baa1 with a stable outlook. It is a rating two classes higher than Romania's country qualification (Baa3), underlining the solid solvency position, liquidity and reduced dependency on market funding.

Overall, 2022 was a different year than we had planned, but one in which we lived up to our assumed mission: we kept on bringing novelties and innovation to our customers' lives, while at the same time providing support and empathy. Our organization has evolved and gone through internal transformations, always keeping the needs of our customers in the center of attention, out of the desire to make their day easier and their businesses more profitable.

For all this, on behalf of the Bank's management team, I am grateful to all of you. Thank you to our colleagues, suppliers and customers. We also thank all the teams in the financial system and the authorities for another year under the sign of solidarity, in which we have all tried to be part of the solution to the challenges of the economic environment.

Yours,

Zdenek Romanek
President and CEO Raiffeisen Bank

The management of Raiffeisen Bank

Members of the Supervisory Board as of 2022, December 31st

Johann Strobl – Chairman
Hannes Mösenbacher – Vice-president
Peter Lennkh – Member
Andreas Gschwenter – Member
Ana Maria Mihăescu – Independent member
Andrii Stepanenko – Member
Lukasz Janusz Januszewski – Member
Pedro Miguel Weiss – Independent member
Claudia Patricia Pendred – Independent member

Members of the Management Board as of 2022, December 31st

Zdenek Romanek – President, Coordinator of President Division (CEO)
Vladimir Nikolov Kalinov – Vice-president, Coordinator of Retail Division
Cristian Marius Sporiș – Vice-president, Coordinator of Corporate Division
Iancu Mircea Busuioceanu – Vice-president, Coordinator of Risk Division (CRO)
Nicolae Bogdan Popa – Vice-president, Coordinator of Operations & IT Division (COO)
Alina Rus – Vice-president, Coordinator of Financial Controlling & Accounting Division (CFO)
Mihail Cătălin Ion – Vice-president, coordinator of Markets, Investment Banking & Personal Financial Planning Division

Raiffeisen Bank structure as of 2023, March 31st

- **President**
  - Audit
  - Legal & Corporate Governance
  - People, Culture and Organization Tribe
  - Strategy and Change Management
  - Marketing, Communication & Customer Experience
  - Risk Prevention & Work Protection Team
- **Financial Controlling & Accounting** Vice-president
  - Accounting
  - Financial Controlling
  - Treasury
  - Finance Transformation
- **Risk** Vice-president
  - Non-Retail Credit Risk
  - Leasing Risk Department
  - Retail Risk
  - Credit Restructuring & Recovery
  - Group Risk Controlling and Portfolio Management
  - Risk Architecture, Advanced Analytics & Early Warning Signs
  - Collateral Department
  - Compliance
- **Retail Banking** Vice-president
  - Private Individual Customers Tribe
  - SME Tribe
  - Customer Interactions Tribe
  - Service Design & User Experience Tribe
  - Customer Service Support
  - Sales Channels with Human Touch
- **Corporate Banking** Vice-president
  - Large Corporate
  - Regional Corporates and Public Sector
  - Transaction Services
  - Project and Corporate Structured Financing
  - Sales Management & Corporate Support Department
- **Operations & IT** Vice-president
  - Security Department
  - Operations
  - Brașov Operational Center
  - Procurement Department
  - Logistics & Property Management Department
  - Data
  - IT Core
  - IT Delivery
- **Markets & Investment Banking & Personal Financial Planning** Vice-president
  - Capital Markets Sales Department
  - Capital Markets Trading Department
  - Financial Institutions & GSS
  - Economic and Sectorial Research
  - Investment Banking Department
  - Personal Financial Planning

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 behavior 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 the legislation in force, the General Meeting of Shareholders has a series of main competences.

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 (SB)

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 of 31.12.2022, the Supervisory Board structure and the 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
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
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
MBA in Finance and Accounting, Fuqua School of Business, Duke University, North Carolina, U.S.A., and graduate of Young Managers Program from INSEAD, Fontainebleau, France
Claudia Patricia Pendred – Independent member
Graduate of the MBA program of INSEAD, 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 2022, 5 Supervisory Board meetings took place and their decisions were made by the unanimous votes of the attending members. Also, a number of 34 decisions were made by circulation.

The Supervisory Board has set up a number of 4 committees from among its members, namely: the Audit Committee, the Nomination Committee, the Remuneration Committee and the Supervisory Board Risk Committee.

The 4 committees set up by the Supervisory Board

The 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. The 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 the Audit Committee on the essential issues arising from the statutory audit and, in particular, on the significant internal control deficiencies in the financial reporting process. The Audit Directorate regularly provides the Audit Committee with reliable information about its activity carried out. The Audit Committee acknowledge 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 the internal audit recommendations included in 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 Mihăescu – Chairwoman
(Independent member of the Supervisory Board)
Hannes Mösenbacher – Member
(Vice-president of the Supervisory Board)
Pedro Miguel Weiss – Member
(Independent member of the Supervisory Board)

During 2022, 4 Audit Committee meetings took place, the Committee's decisions being made by the unanimous votes of the attending members. Also, there were 3 decisions made by circulation.

The 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 Management Board, respectively) 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:
Claudia Patricia Pendred – Chairwoman
(Independent member of the Supervisory Board)
Johann Strobl – Member
(Chairman of the Supervisory Board)
Pedro Miguel Weiss – Member
(Independent member of the Supervisory Board)

During 2022, the Nomination Committee held 4 meetings, their decisions being made by the unanimous votes of the attending members.

The Remuneration Committee (CREM)
The Remuneration Committee is responsible for preparing the decisions on remuneration, including those which have implications for the risk and risk management of the credit institution concerned and which are to be taken by the Supervisory Board. Also, CREM is responsible for issuing the decisions on the remuneration of the Management Board and Supervisory Board members, in accordance with the GMS decision. When preparing such decisions, CREM shall take into account the long-term interests of shareholders, investors and other stakeholders 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:
Ana Maria Mihăescu – Chairwoman
(Independent member of the Supervisory Board)
Claudia Patricia Pendred – Member
(Independent member of the Supervisory Board)
Johann Strobl – Member
(Chairman of the Supervisory Board)

During 2022, 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.

The Supervisory Board Risk Committee
The Supervisory Board Risk Committee advises the Supervisory Board and the Management Board on the Bank's risk appetite and strategy and assists the Supervisory Board and the Management Board in overseeing the implementation of that 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:
Pedro Miguel Weiss – Chairman
(Independent member of the Supervisory Board)
Claudia Patricia Pendred – Member
(Independent member of the Supervisory Board)
Hannes Mösenbacher – Member
(Vice-president of the Supervisory Board)

During 2022, the Supervisory Board Risk Committee held 4 meetings, its decisions being made by the unanimous votes of the attending members. Also, there was one decision made by circulation.

THE MANAGEMENT BOARD (MB)

The Management Board ensures the managing of the Bank's current business and 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 31.12.2022, the Management Board structure and the professional background of its members were:
Zdenek Romanek – President, Coordinator of President Division (CEO)
MBA Program, INSEAD (Fontainbleau, France), Master of Economics: Insurance Engineering/Actuary and Banking, University of Economics, (Prague, Czech Republic) and Master of Science: Operation Research and Computer Science, Faculty of Mathematics and Physics, Charles University (Prague, Czech Republic)
Vladimir Nikolov Kalinov – Vice-president, Coordinator of Retail Division
Graduate of the Marketing and Management Institute, New Delhi, and of the Faculty of Commerce, University of New Delhi, India
Cristian Marius Sporiș – Vice-president, Coordinator of Corporate Division
Graduate of the Faculty of Finances, Insurance, Banks and Stock Exchanges, Bucharest University of Economic Studies, Romania
Iancu Mircea Busuioceanu – Vice-president, Coordinator of Risk Division (CRO)
Graduate of the Executive MBA Program, University of Sheffield, and the Faculty of Finances, Banks and Accounting, Bucharest University of Economic Studies, Romania
Nicolae Bogdan Popa – Vice-president, Coordinator of Operations & IT Division (COO)
MBA in Financial-Banking Management, "Alexandru Ioan Cuza" University of Iași, Romania
Alina Rus – Vice-president, Coordinator of Financial Controlling & Accounting Division (CFO)
CFA, Master of Financial Management & Capital Markets, Academy of Economic Studies and Bachelor of Finance, Banking, Insurance & Stock Exchange, Academy of Economic Studies (Bucharest)
Mihail Cătălin Ion – Vice-president, Coordinator of Markets, Investment Banking & Personal Financial Planning Division
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 the Management Board:

- Convening the GMS according to the legal requirements and the Articles of Incorporation of the Bank;
- Establishing the reference date for the shareholders entitled to vote in GMS;
- 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 revising periodically, at least once a year, 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 GMS' 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 on further actions to be taken.

According to the Articles of Incorporation, the following duties have been delegated by GMS 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 Extraordinary GMS 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 also 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 GMS's competence(s);
- Take measures to adopt all business decisions for the implementation of the provisions of the business plan and the budget of the 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 Vice-president, 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 third 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 10 committees, namely: Asset and Liabilities Committee, Risk Committee, Credit Committee, Problem Loan Committee, Private Individuals Credit Committee, Rules and Procedures Committee, Security Council, Cost & Investment Committee, Investment Committee & Product Governance Committee to which it delegated a series of competences, mentioned in the statutes of the respective committees.

During 2022, the Management Board held 55 meetings, and its decisions were made by the unanimous votes of the attending members. Also, 27 decisions were made by circulation.

The 10 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 statutes;
- 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).

The 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.

The Credit Committee (CC)
The Credit Committee is established and functions as a decision-making body on exposures for the following types of clients: Corporates, Specialized Lending Project, SME, Financial institutions, Regional and Local authorities, etc., as delegated by the Management Board, according with Credit Decision Authority By-Laws of the Management Board of RBRO. CC is responsible for complying with all relevant internal regulation applicable to companies of the Raiffeisen Bank International Group AG ("the Group"), including but not limited to the Group and Local Credit (Risk) Policies and the principles and the standards outlined in the relevant Group Credit Manuals for respective segments.

The 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 revisions, debt write-offs, IFRS provision build-up and release for all types of clients.

The Private Individuals Credit Committee (PICC)
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 mil.

The 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.

The Security Council
The Security Council of Raiffeisen Bank is the top decision forum regarding security within Raiffeisen Bank Romania. The Security Council proposes 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.

The Cost & Investment Committee
The Cost & Investment Committee (CIC) is the body for acknowledgement and approval of relevant cost items, cost saving initiatives, overruns at Bank level and 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. CIC also decides on wallets structures per divisions for IT change initiatives, including small initiatives (short flows). In special cases the CIC also conducts individual Project reviews.

The Investment Committee
The Investment Committee is aimed at endorsing and monitoring the investment strategy supporting the "Investment Advisory Services". The "Investment Advisory Services" comply with the rules set by the supervision authorities and are carried out based on the procedure regarding investment consultancy services for FWR clients.
The Investment Committee approves:

- Master portfolios for which the investment advisory is offered;
- Product categories (asset classes) which may be included in the model portfolios associated with master portfolios, based on DRM and group regulations;
- Maximum risk limits of a model portfolio associated to an investment profile as assessed via the appropriateness test;
- Strategical and tactical allocation within asset classes.

The Product Governance Committee
The Product Governance Committee 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, according to the REG-2015-0075 Product Governance Process (PGP) V2.0 and corresponding Annexes.

A Product Governance Process (PGP) needs to be done for all in-scope products manufactured and distributed (including third party products) and has the purpose:

- To fulfill the legal and compliance requirements to offer this specific product to the defined end client and
- To provide strategic decisions if and via which a product should be offered.

The products/financial instruments covered by the Product Governance Committee are approved products such as: mutual funds, bonds and derivative products. For the insurance products having an investment component, the distribution strategy is approved within the Investment Committee (ICOM).

CONFLICTS OF INTEREST

On 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 any 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 as well as regarding the private, personal interests of the members of the management bodies, which could negatively influence the fulfilment of their duties and responsibilities.
The internal policies impose staff and management bodies to report immediately any situation that could result in a conflict of interest. This could be stemming from close relationships, supplementary jobs, events participations, gifts, invitations and trades with financial instruments, etc. Conflict of interests could as well arise in relation to corruption, fraud and market abuse.

Where conflicts of interest arise, RBRO assesses their materiality and takes appropriate mitigation measures.
With 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, potential or real. They must inform the other Management Board members, too and Compliance Directorate. 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 or real conflicts of interest . In the event the President himself is faced with a conflict of interest, he should immediately report it to the Vice-president of the Supervisory Board.

If a member of the Directorate intends to accept a position as a member of the Supervisory Board/management Board or as an administrator of some companies outside the Group, the prior approval of the Supervisory Board is required. If a member of the Supervisory Board intends to accept a position as a member of the Supervisory Board/ Management Body or as an administrator of some companies outside the Group, the prior approval of the Ordinary General Meeting of Shareholders is required.

PRACTICES OF REMUNERATION AND 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 (i.e.: 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. The fixed compensation is defined in principle in accordance with the market conditions.
7. The compensation structure (the variable payment proportion relative to the 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 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 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 fixed remuneration.

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 the achievement of 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 the criteria for assessing compatibility, in accordance with the local legal provisions (NBR Regulation no. 5/2013 on prudential requirements for the credit institutions, NBR Regulation no. 12/2020 on the authorization of credit institutions and changes in their situation, Romanian legal entities and the Romanian branches of third parties' credit institutions). Also, the policy defines the measures applicable in the situations whereby those persons are not compatible with the positions in question and how permanent compatibility is ensured.

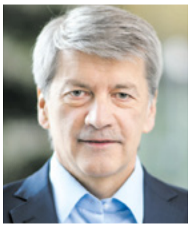
As both the EBA guidelines and the NBR Regulation no. 5/2013 contain mentions with regard to the importance of diversity at the top level management, in addition to the standard set of compatibility criteria as regulated through the fit and proper policy, we are aware that the differences in gender, 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. Ana Maria Mihăescu and Claudia Patricia Pendred as Independent members of the Supervisory Board of Raiffeisen Bank S.A. and of Mrs. Alina Rus as vice-president of the Management Board of Raiffeisen Bank S.A.

Raiffeisen Bank S.A. annually draws up a report on the information transparency and advertising requirements, in accordance with the Regulation of the National Bank of Romania no. 5/2013 on prudential requirements for credit institutions and Regulation no. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment companies, and on amending requirements of (EU) Regulation no. 648/2012.

This report is drawn up for the year 2022 and is published on the Bank's website at:
www.raiffeisen.ro/despre-noi/guvernanta-corporativa/transparenta-si-publicare

Report of the Supervisory Board



Johann Strobl
Chairman of the
Supervisory Board

We navigated well through the difficult climate and achieved excellent loan growth of 21%, improved the clients' satisfaction with the Bank's services and reported a net profit of 255 million euro, more than 50% higher vs. the previous year.

Ladies and Gentlemen,

Raiffeisen Bank achieved a very solid business and financial performance in 2022, proving once more the commitment to stand by its customers and support the local economy in good times and bad, while delivering top-tier value for all stakeholders. After successfully coping with the challenges brought by the COVID-19 pandemic in 2020-2021, a new set of headwinds affected the economic environment in 2022: Russia's war against Ukraine stirred inflationary pressures and disrupted the supply chains, causing high volatility in financial markets and the uncertainties regarding future macroeconomic effects remain elevated to this day.
I am pleased to note that we navigated well through the difficult climate and achieved excellent loan growth of 21%, improved the clients' satisfaction with the Bank's services and reported a net profit of 255 million euro, more than 50% higher vs. the previous year.

All customer segments showed a very good pace of growth in lending during the last year, with the corporate clients' segment being particularly noteworthy, where loan balances strengthened by almost 45% year-on-year, with some of the loans being deployed in strategic sectors of the Romanian economy. Loans for SME and Private Individuals also increased by 17% and 7% respectively, despite the higher market rates that began to affect demand.
A notable contribution to the increase came from our active participation in the guarantee schemes made available by the government, in particular the IMM Invest program. It is also worth mentioning that most loans granted by the Bank to individuals carried fixed interest rates, thus protecting customers from potential shocks in the evolution of market rates.

We remained true to our strategy to invest more in attracting and retaining well-trained staff. We continued to increase IT investments to expand the Group's digital capabilities to meet the needs of our customers with fast, innovative and affordable solutions, backed by state-of-the-art technologies.

The Raiffeisen Group's foundations are in excellent shape with a sound loans/deposit ratio of 81% and solid capital ratio of 21%, comfortably above regulatory requirements. After pioneering the Green format for MREL-eligible bond issuances in 2021, we successfully issued bonds in a sustainable format in 2022. The funds raised will be used exclusively to finance sustainable projects, according to the eligibility criteria described in the Bank's Framework for Sustainable Bonds. Being the first Romanian bank to issue sustainable MREL bonds, we triggered a strong demand from international financial institutions, pension funds, insurance companies and banks and we are proud to have paved the way for other issuers to follow the same path of responsible banking.

During the 2022 financial year, the members of the Supervisory Board held five meetings. The overall attendance rate for the Supervisory Board meetings was around 96%.

The Supervisory Board regularly and comprehensively monitored the business performance and risk developments at Raiffeisen Bank. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity, as well as on the direction of the Bank's business and risk strategies. The Supervisory Board also dealt at length with further developments within corporate governance and monitored the implementation of corresponding policies. In the course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives from supervisory authorities on topical issues.

Moreover, the Management Board provided the Supervisory Board with regular and detailed reports on relevant matters concerning performance in the respective business areas. Between meetings, the Supervisory Board maintained close contact with the Chairman and members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Supervisory Board, where applicable with the involvement of experts on matters being addressed.

The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration. Discussions were open and critical, and the Supervisory Board passed resolutions after fully considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Supervisory Board without delay and to their satisfaction.

The Supervisory Board was regularly informed regarding the activities carried out in 2022 by its sub-committees. It agreed with the Management Board's report on Raiffeisen Bank's audited financial statements for the 2022 financial year, drawn up in compliance with International Financial Reporting Standards.

I would like to take this opportunity to sincerely thank the Management Board and all employees of Raiffeisen Bank for their great efforts, and also our customers for their continued trust.

On behalf of the Supervisory Board,

Johann Strobl
Chairman of the Supervisory Board

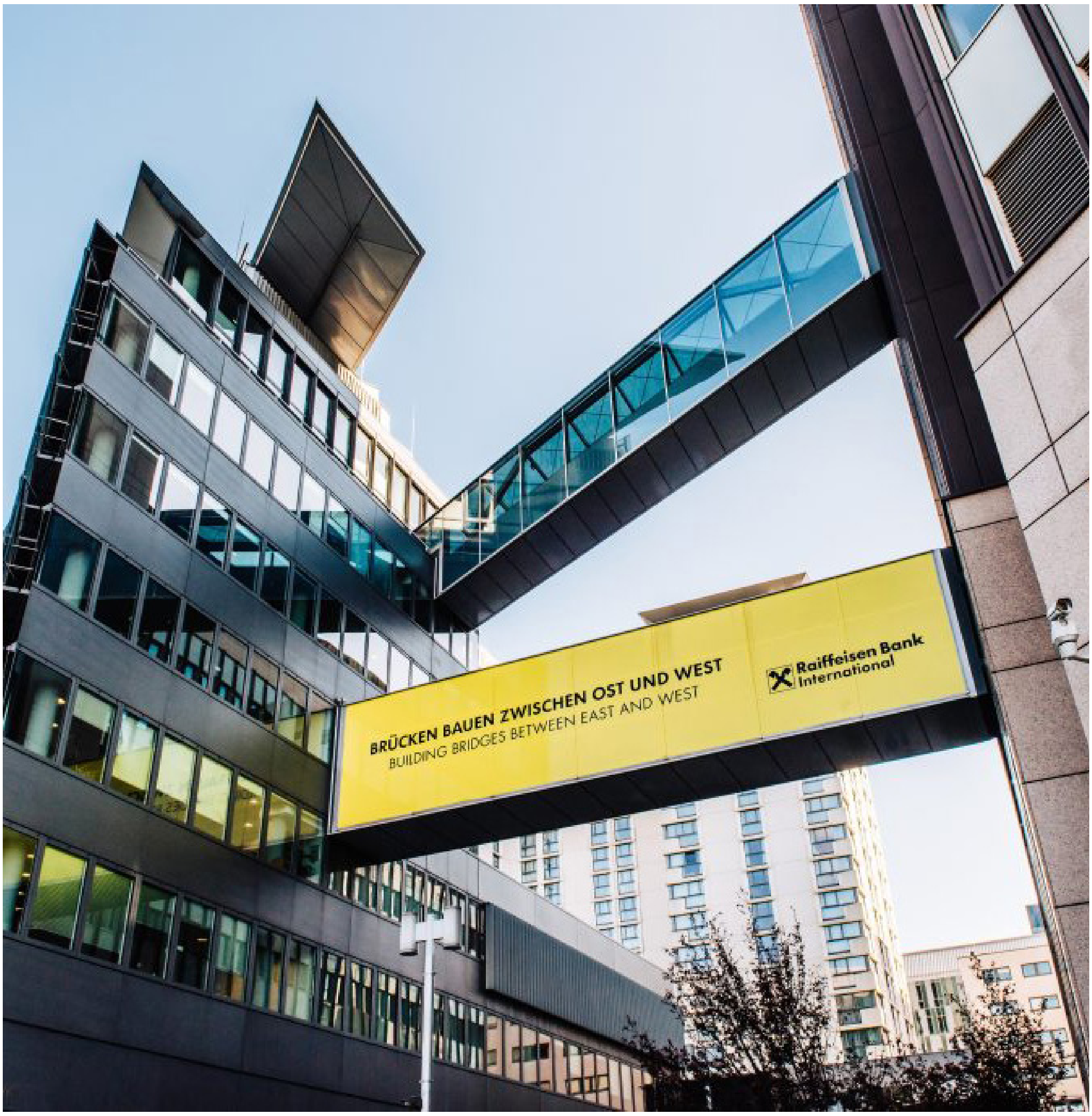
Raiffeisen Bank International at a glance

Raiffeisen Bank International (RBI) regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE), as its home market.

Click on the titles below to open the 2022 RBI reports:

2022 Annual Report

2022 Sustainability Report



THE YEAR 2022 IN NUMBERS*

17.6 milion customers

1,700 business outlets

44,000 employees

207 billion euros in total assets

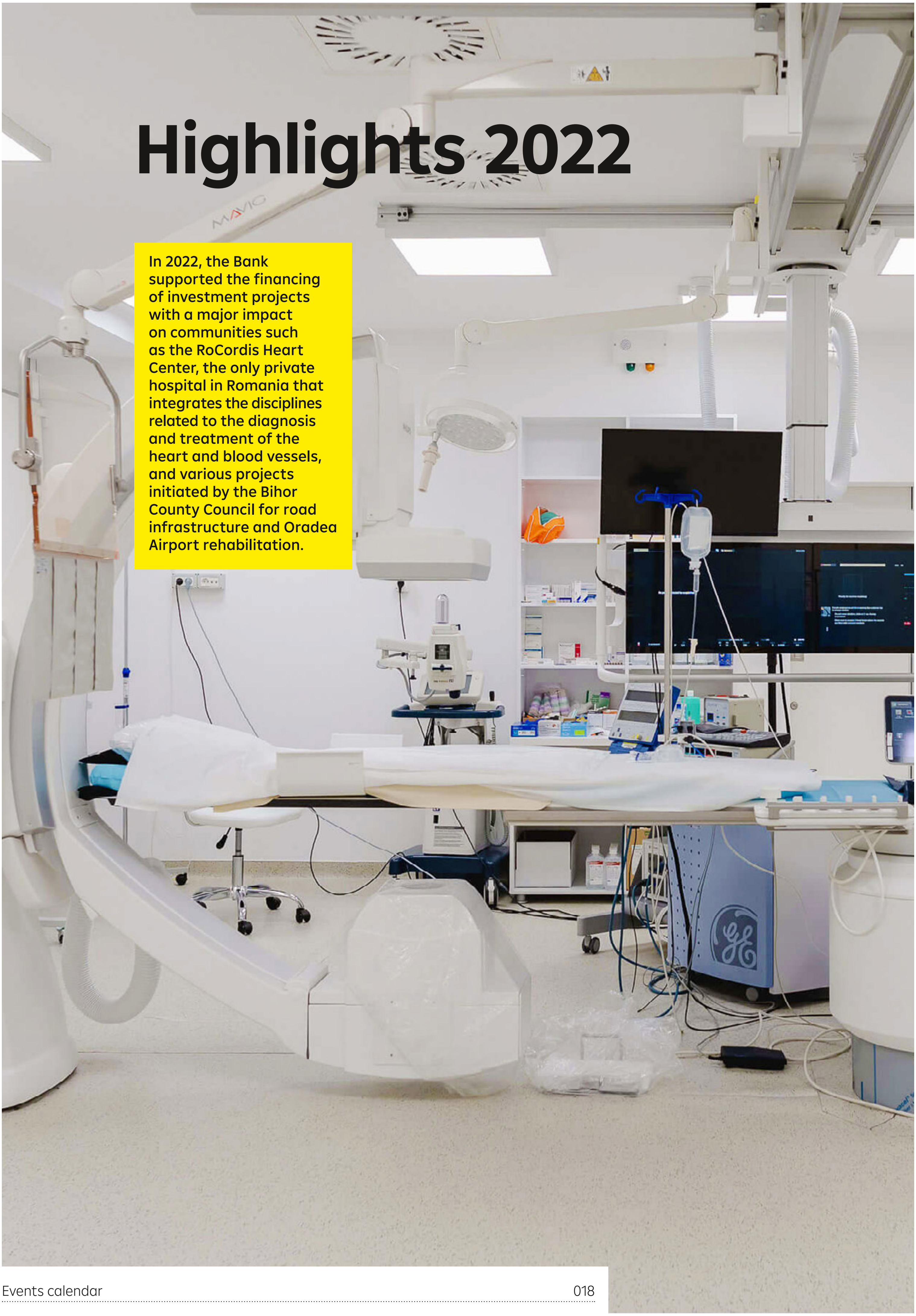
* as per 31 December 2022

Subsidiary banks cover 12 markets across the region. In addition, the Group comprises numerous other financial service providers that are active in areas such as leasing, asset management and M&A.

In total, around 44,000 RBI employees serve 17.6 million customers from around 1,700 business outlets, the vast majority of which are in CEE. At year-end 2022, RBI's total assets were approximately €207 billion.

RBI AG shares have been listed on the Vienna Stock Exchange since 2005. The regional Raiffeisen banks hold approximately 58.8 per cent of RBI shares with the remaining 41.2 per cent in free float.

Highlights 2022



In 2022, the Bank supported the financing of investment projects with a major impact on communities such as the RoCordis Heart Center, the only private hospital in Romania that integrates the disciplines related to the diagnosis and treatment of the heart and blood vessels, and various projects initiated by the Bihor County Council for road infrastructure and Oradea Airport rehabilitation.

Events calendar

2022 was another year when Raiffeisen Bank focused its actions on understanding its customers' needs, and offered them support in implementing their plans, whether they referred to a more profitable business or simply an easier day. The Bank continued to pursue its strategy of becoming the preferred financial ecosystem in Romania, promoting products and services that support sustainable lending and development, optimal financial planning or saving, and encouraging business initiatives or community involvement aligned with these objectives.

JANUARY

Raiffeisen Bank continues its digitalization strategy

Raiffeisen Bank moves forward with its digitalization strategy, encouraging its customers, individuals and legal entities, to use the channels provided by the Bank for safe and fast transactions – Raiffeisen Online, Smart Mobile, ATMs, MFMs, multi-currency deposit equipment. Starting with 2022, the Bank's network will operate entirely without cashier desks, except for a few units, where cash operations will only be carried out for the payment of loan installments. Cashier-desk operations can now be done via multifunctional machines or using alternative solutions, while Bank advisors can spend more time on value-added customer interactions, such as advice regarding the Bank's digital services, lending, savings, or investment products.

FEBRUARY

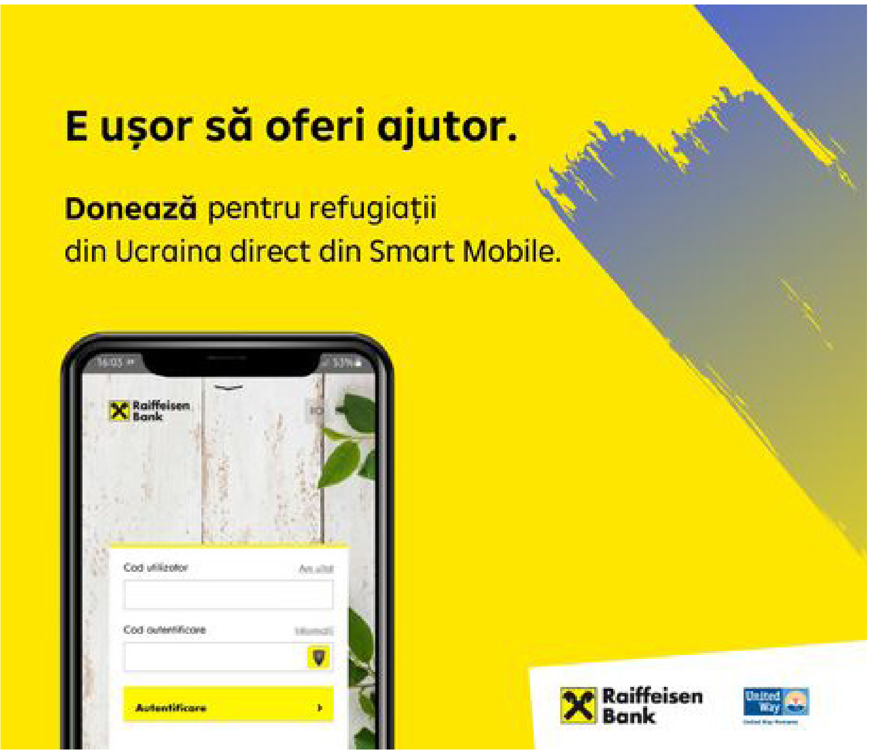
Raiffeisen Bank is the beneficiary of a new risk-sharing agreement

The European Bank for Reconstruction and Development (EBRD) launched a new risk-sharing agreement for Romanian banks, Raiffeisen Bank being one of the first financial institutions to benefit from it. EBRD guarantees up to 65 percent of each loan granted by Raiffeisen Bank to eligible clients, and its commitment can reach up to EUR 100 million. Raiffeisen Bank can subsequently diversify its range of products for corporate clients, thus maintaining its commitment to support their projects and sustainable development.

MARCH

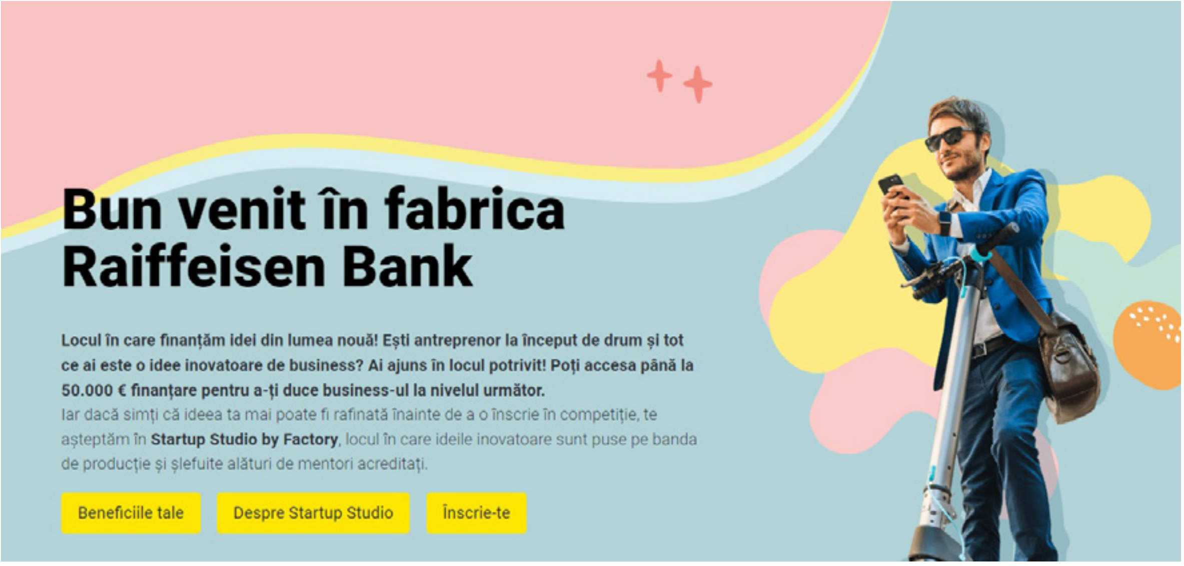
Raiffeisen Bank supports Ukrainian refugees in Romania

Raiffeisen Bank supports Ukrainian refugees in Romania by offering them free-of-charge access, for their cards issued in Ukraine, to essential banking services such as payments at the Bank's POSs or cash withdrawals from ATMs/MFMs. The Bank also offers them the option of opening a RON current account, with a debit card attached, in any of its branches, based on the Ukrainian passport or identity card. In addition, Raiffeisen Bank offers its customers the opportunity to directly support Ukrainian refugees, together with the United Way Romania Foundation, by using the new quick donation option in the Smart Mobile application, in the Payments section.



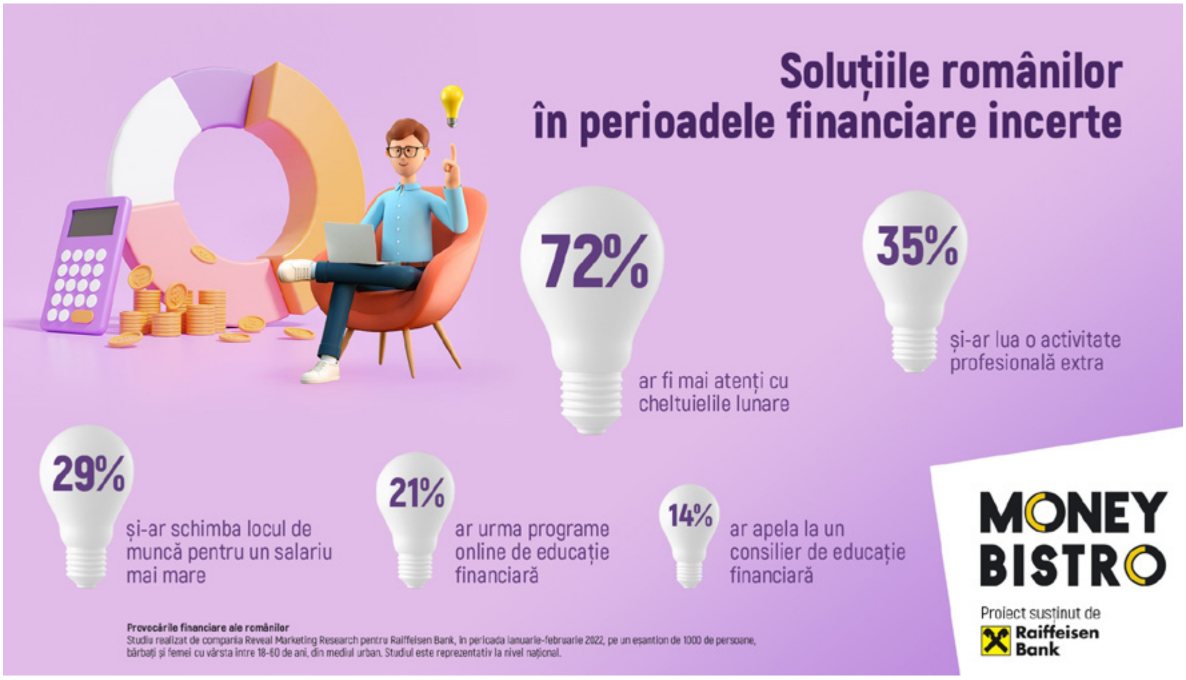
Factory by Raiffeisen Bank expands its range of opportunities

Factory by Raiffeisen Bank has introduced new support tools for the entrepreneurs enrolled in the program, in line with the European and global market trends. In addition to funding and entrepreneurial education workshops offered through Startup Studio by Factory, the idea factory has expanded and it is now facilitating access for entrepreneurs to two new modules: one for scaling-up, aimed at companies that have gone beyond the start-up phase and have an ambitious growth plan, and one focused on radical innovation in terms of products, services, processes, or business models.



APRIL **Raiffeisen Bank launches the "Financial Challenges of Romanians" study**

For the third year in a row, the Bank launched the "Financial Challenges of Romanians" study, carried out as part of the Money Bistro financial education program. In a period lacking economic predictability, the main concern of Romanians has to do with the continuously increasing prices of products and services, caused by the growing inflation, as the study carried out in the first 2 months of 2022 revealed. The number of people who declared that they can cover all their daily expenses and save money increased in the previous year from 24 to 34 percent, mainly among young professionals and modern families. Almost 40 percent of respondents said they can cover their daily expenses but fail to save, while 25 percent of them find it difficult to manage them properly.



MAY **Raiffeisen Bank supports The Black Sea ClimAccelerator for the second year in a row**

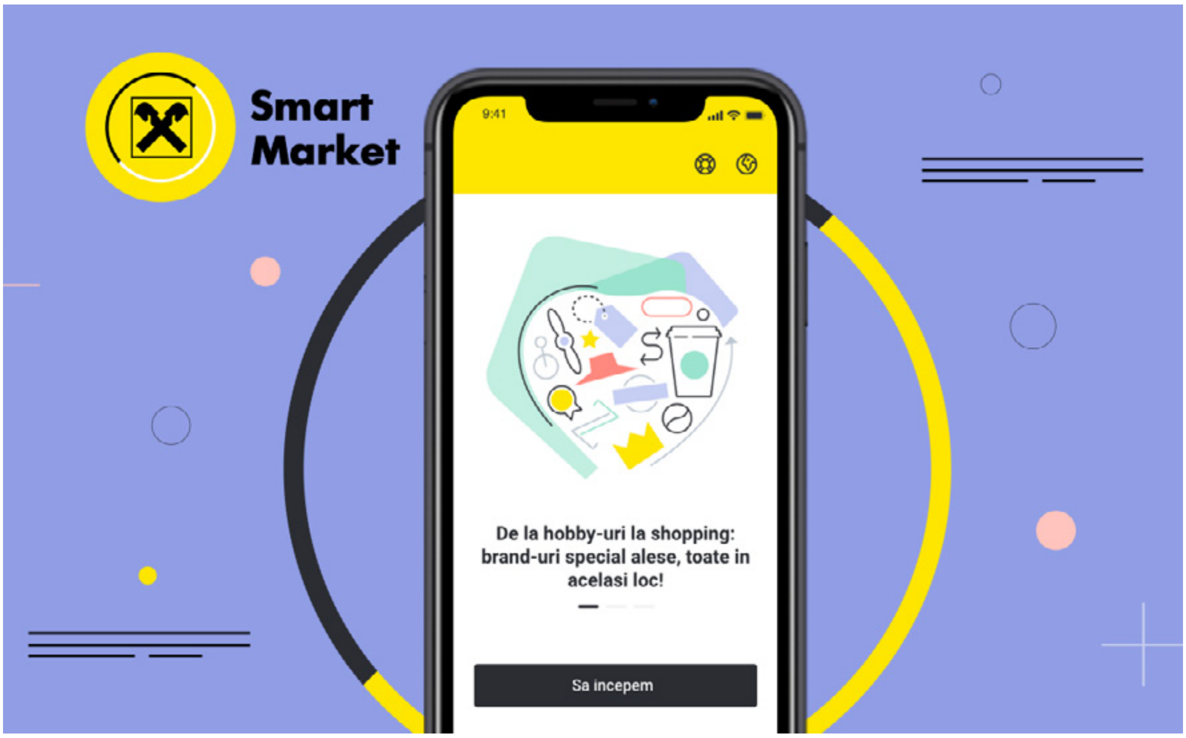
Aimed at green start-ups in the region that are eager to innovate for a more sustainable future, the Black Sea ClimAccelerator is part of the largest European green accelerator and offers total funding of EUR 300,000, mentorship programs, expert advice, and training for attracting investments. Local start-ups were invited to submit eco-innovation solutions in areas such as improving waste management, intelligent agriculture, supporting the circular economy through technology, reducing carbon emissions, green energy, developing sustainable materials, reducing emissions, or capturing greenhouse gases.

Raiffeisen Bank takes an important step toward green financing

The Bank has published its first Report for the green bonds issued in 2021 and the Framework for Sustainable Bonds, through which it will allocate funds attracted through the issuance of sustainable, green, or social bonds, to sustainable projects, aligned with its sustainability strategy. This category includes green buildings, renewable energy projects, energy efficiency projects, ecological transport and agriculture, pollution prevention and control projects, circular economy, sustainable management of water resources, but also social projects – access to essential services of health, education, and infrastructure, affordable housing, and the financing of small and medium enterprises in underdeveloped regions at the national level. In 2021, as a first for the Romanian capital market, Raiffeisen Bank successfully placed the first two issues of RON-denominated green bonds ever listed on the Bucharest Stock Exchange (BSE).

JUNE **Smart Market: a new application for rewarding the Bank's customers**

Raiffeisen Bank has launched Raiffeisen Smart Market, the loyalty and reward application for its digital customers, which brings the Bank closer to its vision of becoming the preferred financial ecosystem in Romania. Smart Market is an innovative application based on a digital ecosystem that brings together the Bank's digital individual customers, partners, and merchants, thus creating added value for all. The application learns users' preferences and provides them with relevant benefits by understanding their consumption behavior with the help of AI technology. This is the first app in Romania to offer customers, at the same time, discounts or prizes from relevant brands, cashback for payments made with Raiffeisen cards, loyalty points, offers on banking products, and prizes. Customers of the Smart Mobile application, who have at least one Raiffeisen Bank card, are the beneficiaries of the Smart Market application.



Raiffeisen Bank launches a new green bond issuing

Raiffeisen Bank successfully placed a new corporate bond issuing, denominated in RON, which represented the Bank's third green bond issuing and the second series of non-preferential senior bonds. The issuing was intended for institutional investors and attracted RON 525 million at a 5-year maturity, with a fixed annual coupon of 8.927%, which was approximately 0.95 percentage points above the yield of reference government securities in RON with a similar maturity. With a total demand exceeding RON 550 million, the issuing was oversubscribed 1.85 times compared to the amount initially announced at the opening of the private placement. The bonds will be dually listed on the Luxembourg (LuxSE) and Bucharest (BSE) stock exchanges.

Money Bistro – a new SMART edition
Raiffeisen Bank has launched a new edition of the SMART financial education program, Money Bistro, to encourage Romanians to use digital banking services. The new edition tackles, in a video series and other specific productions, the barriers Romanians are facing regarding digital banking, and explains in detail the benefits of this type of banking relationship and those of digital banking products, among which convenience, speed, and control over one's own money.

JULY **GreenFields Academy: an invitation for farmers interested in sustainable agriculture**
Together with its partners, Raiffeisen Bank invites farmers to take part in a program dedicated to sustainable agriculture, GreenFields Academy. Throughout the program, farmers have access to good practices, innovative technologies, and exchange experience, together with local and international professionals from agricultural companies and associations, coming into contact with best practices from high-performing farms in Romania. The purpose of the program is to support the development of a suitable framework for the sustainable practice of agriculture, by conserving water, improving soil quality, exploiting vegetable carpets and green cover crops, reducing the number of inputs applied per hectare, circular agriculture, resource conservation and biodiversity, the use of digital and precision agriculture – all this taking into account the profitability indicators of farms.

AUGUST **Raiffeisen Bank obtains accreditation from The Authority for the Digitalization of Romania for the digital opening of current accounts**
Raiffeisen Bank has obtained accreditation from The Authority for the Digitalization of Romania for the process of current account opening through video identification, now available in the Smart Mobile app for private individuals. The opening of an online account, 100% online, is done in a few simple steps, through the Raiffeisen Smart Mobile application: a click on the "Come to Raiffeisen Bank" button, followed by a photo of the identity document and a selfie, and the filling in of the information required to start a relationship with the Bank, along with a video call with a Raiffeisen Bank employee and the electronic signing of the contract.

Phone POS for SMEs customers
SME customers of Raiffeisen Bank can use their phone or tablet as a payment terminal (POS) for their services and products. RaiPOS (SoftPOS – Soft Point of Sale) is the application that turns the phone or tablet into an electronic card payment terminal. The cards accepted through this process are VISA or Mastercard, both for individuals and legal entities. This new possibility of accepting card payments offered by the Bank meets the needs of merchants in the business of products and services sale, making their lives simpler and their business more sustainable, with lower costs.

The first issuing of RON sustainable bonds from Raiffeisen Bank
Raiffeisen Bank placed, for the first time, an issuing of non-preferential senior sustainable bonds, denominated in RON. The new RON corporate bond issuing was the Bank's fourth eligible bond (MREL) issuing and first series of sustainable bonds. The issuing was addressed to institutional investors and attracted RON 500.85 million at a 5-year maturity, being oversubscribed 2 times, compared to the amount initially announced at the opening of the private placement. The funds raised will be used to finance sustainable projects, according to the eligibility criteria described in the Bank's Sustainable Bond Framework. A minimum of 50% of the funds will be directed to the financing of social projects – the financing of small and medium-sized enterprises in underdeveloped regions at the national level, affordable housing, access to essential health services, education and infrastructure, and the rest are intended for projects that support the green transition.

SEPTEMBER

Raiffeisen Bank launches instant payments

Raiffeisen Bank has launched instant payments, thus becoming one of the first banks in Romania to join the Transfond scheme. This new service facilitates the transfer of money in a few seconds and is permanently available (24/7/365) from the Raiffeisen Smart Mobile application, in the first stage for individuals only. Authorization of payments is possible with biometric elements or PIN, safely, for interbank payments below RON 50,000, made to banks that are part of the instant payment scheme. The main feature of instant payments is that of "real-time transactions", the transferred amount arriving in the beneficiary's account within a maximum of 10 seconds after the initiation of the payment. The non-stop availability of the service benefits both consumers and companies that can collect their money quickly and, in the future, will generate opportunities to configure and launch new banking products and services based on this "instant ecosystem", such as QR code payments.

10 educational projects receive RON 500,000 in a new edition of the Raiffeisen Communities grant program

For its twelfth edition of the Raiffeisen Communities grants program, dedicated to public schools and NGOs in Romania, Raiffeisen Bank finances 10 non-formal education projects with a total non-refundable amount of RON 500,000. An education program for biodiversity and sustainability, a vocational training project for institutionalized youth in Gorj County, and an education project for diversity and inclusion for high school students are among the winners. The projects can change the future of communities and aim to complement the education provided by the school, addressing, in some cases, subjects that are not included in the curriculum. The 10 winning projects will be implemented by two public schools and eight non-governmental organizations over the course of a year.

OCTOBER

Raiffeisen Bank signs the Environmental Pledge

Raiffeisen Bank reaffirms its commitment to responsible and impactful banking by signing the Environmental Pledge, an initiative through which the business sector in Romania contributes to the achievement of the Paris Agreement on combating climate change. The alignment with the objectives in the Environmental Pledge means the Bank is taking accelerated steps toward implementing a formal system for inventorying greenhouse gas emissions and reducing the carbon footprint.
The direct impact of the Bank's operations on the environment is monitored and communicated annually, since 2009, in the Sustainability Report, as Raiffeisen Bank is a pioneer in terms of non-financial reporting on the local market.

NOVEMBER

A new recognition of Private Banking services

For the third consecutive year, Raiffeisen Bank was named "The best bank in Romania" for its private banking services by the British publication The Banker/Professional Wealth Management (PWM). This international recognition was based on the outstanding results of the Private Banking division of the Bank – Friedrich Wilhelm Raiffeisen, but also the resilience, the ability to quickly adapt, and the partnership approach to customers. In 2022, Raiffeisen Bank, through the Private Banking division, became the first and only bank in Romania to offer its clients investment consulting services for the management of their portfolio, for both build-up and adjustment purposes.

The first Visa Platinum card for legal entities

Raiffeisen Bank has launched the first Visa Platinum Business card for legal entities, the first of its kind launched by Visa in partnership with a Romanian bank. The card is dedicated to business people who travel a lot, conduct their business abroad, have partnerships with external suppliers, and have a socially active life. In addition to the usual operations – cash withdrawals in the country or abroad, ATM/MFM/POS operations, online payments, automatic currency exchange in the currency of the country where the card is used, free payment at merchants, etc. – the card offers access to LoungeKey in airports in Romania and around the world, access to the Air Refund platform (compensations in case of flight cancellations) and the Visa Luxury Hotel Collection program, as well as offers for shopping, restaurants, entertainment, art and travel through the platform www.visa.ro/premium.

SavingBox in Raiffeisen Smart Mobile – effortless savings

Raiffeisen Bank has launched SavingBox, a new RON savings service, at every debit card payment. The functionality is available in the Bank's mobile banking app and offers retail customers the opportunity to save a percentage of each debit card payment. Customers can choose how much they can save automatically by selecting a percentage of 1%, 3%, 5%, or 10% of the value of each debit card payment. Once the free SavingBox service is activated, with each payment, the amount calculated according to the selected options is automatically transferred from the current account to the RON savings account, accessible at any time, and awarded with an advantageous interest rate.

DECEMBER **Synthetic securitization for financing access**

Raiffeisen Bank S.A. has concluded a synthetic securitization transaction with the European Investment Bank Group, through which it will support the increase in access to financing for small and medium-sized companies, as well as for those with medium capitalization in Romania. Raiffeisen Bank is the first in the country to strengthen its financing capacity in this way. The new partnership with the European Investment Bank (EIB) and the European Investment Fund (EIF) will strengthen the resilience of companies of this type in Romania. As a result of the agreement, Raiffeisen Bank will offer, during the next two years, financing to eligible beneficiaries, SMEs and MidCaps, in the amount of up to RON 523 million (EUR 106 million), with a reduced interest compared to other similar financing products.

Management report

The Bank supported the financing of the Romgaz transaction with Exxon Mobil, completed in August 2022.

Neptun Deep project has a special strategic significance for Romania, so the financing provided contributes to ensuring, in the coming years, our country's security and independence. It also confirms Raiffeisen Bank's determination to support the energy transition on a sustainable basis.

Economic environment

The economy showed a strong resilience to the major adverse shocks it faced in 2022. Thus, the economic activity remained on an upward trend throughout the year, and the real Gross Domestic Product (GDP) increased by 4.7% compared to 2021.

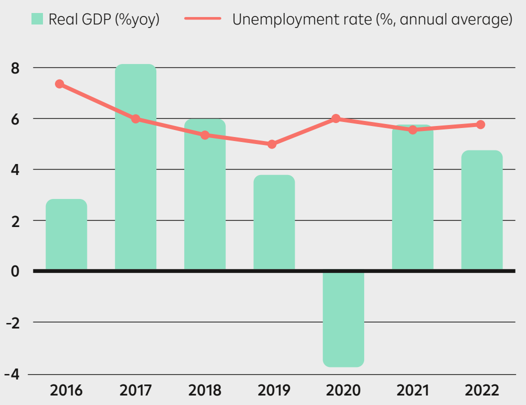
4.7% higher

was the Real Gross Domestic Product in 2022 compared to 2021. A good performance was observed for service-providing companies and for construction companies.

Economic growth was rapid at the beginning of the year, but it decelerated later amid negative influences exerted by the sharp rise in the prices of goods and services in the economy, by the increase in uncertainty about future developments in the economy, and by the weakening of external demand. The rapid increase of prices for consumer goods and services (especially the prices of food and energy goods) has eroded the purchasing power of the population, curbing the advance of consumption during the year. In addition to having a negative impact on households' consumption, the sharp increase in electricity and natural gas prices has also resulted in an ample reduction of activity in industrial sectors with intensive energy consumption, as well as the industries that produce and distribute these goods. In 2022, a good performance was observed for service-providing companies and for construction companies.

The fiscal consolidation process continued in 2022, and the public budget deficit measured according to the national methodology decreased to 5.7% of GDP from 6.7% of GDP in 2021. Fiscal consolidation was supported by moderate increases in public sector wages and of public pensions. Also, the sharp increase of the prices of energy goods generated substantial additional public revenues that could be used by the government to finance the support measures for the population and companies without generating upside pressures on the public budget deficit.

Dynamics of economic activity

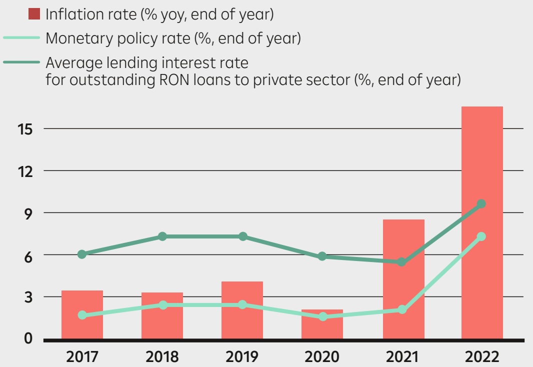


Source: National Institute of Statistics, Raiffeisen Bank

Inflationary pressures increased substantially following the outbreak of the war in Ukraine, and the prices of consumer goods and services increased by 16.4% during 2022. Very large price increases were registered especially for foods (+22%) and for energy goods such as fuels, electricity and natural gas (+27.4%).

In the context of a substantial increase in inflationary pressures, the central bank (NBR) has continuously raised the monetary policy interest rate during 2022, from 1.75% to 6.75%. Also, by October, the central bank had implemented a firm control over the liquidity conditions in the money market. These measures have led to a large increase during the year in interest rates on loans and deposits of customers of the banks.

Dynamics of inflation and interest rates



Source: National Bank of Romania, Raiffeisen Bank

Romania: key economic figures

	2018	2019	2020	2021	2022
Nominal GDP (EUR bn)	206.1	224.2	220.5	241.3	**285.9**
Real GDP (% yoy)	6.0	3.9	(3.7)	5.8	**4.7**
Private consumption (% yoy)	9.4	3.4	(3.9)	8.1	**5.5**
Gross fixed investments, private and public (% yoy)	0.0	12.6	1.1	1.9	**8.0**
Industrial output (% yoy)	3.5	(2.3)	(9.2)	7.1	**(1.8)**
ILO unemployment rate (avg., %)	5.3	4.9	6.1	5.6	**5.6**
Average monthly net wage, EUR	568	629	665	694	**777**
Producer prices (avg., % yoy)	5.0	4.0	0.0	14.9	**44.7**
Consumer prices (avg., % yoy)	4.6	3.8	2.6	5.1	**13.8**
Consumer prices (eop., % yoy)	3.3	4.0	2.1	8.2	**16.4**
Public budget balance (% of GDP, cash terms)	(2.8)	(4.6)	(9.5)	(6.7)	**(5.7)**
Public debt (% of GDP)	34.5	35.1	46.9	48.6	**47.3**
Current account balance (% of GDP)	(4.6)	(4.9)	(4.9)	(7.2)	**(9.3)**
Gross external debt (% of GDP)	48.4	49.0	57.5	56.6	**50.6**
Foreign direct investment (% of GDP)	2.6	2.3	1.4	3.7	**3.7**
Official FX-Reserves (EUR bn, eop)	33.1	32.9	37.4	40.5	**46.6**
Monetary policy rate (eop, %)	2.50	2.50	1.50	1.75	**6.75**
ROBOR 3-month, avg.,%	2.8	3.1	2.4	1.8	**6.2**
RON/EUR, avg.	4.65	4.75	4.84	4.92	**4.93**
RON/EUR, eop	4.66	4.78	4.87	4.95	**4.95**

Source: National Bank of Romania, National Institute of Statistics, Raiffeisen Bank

Developments in the banking sector

Outstanding loans granted by banks to the private sector increased rapidly in 2022, the advance being supported by the good performance of the economy, by government credit guarantee schemes, and by the increasing working capital needs of companies. However, in the second half of the year, a slowdown in lending activity was observed.

12,1%
was the increase in outstanding loans granted by banks to the private sector (households and companies) during 2022.

Outstanding loans granted by banks to households and companies increased by 12.1% during 2022. This year, too, the best performance was observed on the segment of loans granted to non-financial companies whose balance increased by 18.8%. Lending growth on this segment benefitted from the upward trend of the economic activity and from the continuation of the governmental program IMM Invest that offered guarantees for loans contracted by small and medium-sized companies. At the same time, the rapid rise of prices in the economy has generated additional working capital needs for companies that have been covered by loans from banks. Companies' demand for loans in foreign currency increased substantially in 2022 due to their lower costs, compared to those of loans in lei. The origination of housing loans has continuously weakened in intensity throughout the year because of rising interest rates and of increasing caution of individuals to buy homes. Stock of housing loans increased by 5.4% in 2022, the advance being much slower than that of 12.9% that materialized in 2021. The origination of loans for consumer and other purposes continued to perform modestly in 2022, with their balance increasing by only 2.6%.

Growth of outstanding banking deposits slowed down in 2022 as the rapid increase of consumer prices and production costs has reduced the saving capacity of households and of companies. Thus, outstanding deposits of households and companies increased only by 7.1% in 2022 after increasing by 13.9% in 2021. Outstanding deposits of households increased by 6.7%, while outstanding deposits of non-financial companies increased by 6.9%. The year 2022 marked an important increase in the preference of households and companies for deposits in lei to the detriment of deposits in foreign currency as a result of their higher interest rates. The balance of deposits in lei increased by 8.5% in 2022, while the balance of deposits in foreign currency increased only by 4.4% (in euro equivalent). Banks continued to issue bonds to meet their MREL requirements, most of them fulfilling the ESG standards and so contributing to the development of sustainable financing in Romania.

The aggregated balance sheet of the banking system at the end of 2022 showed a healthy funding structure, with outstanding loans granted to households and companies representing only 70.8% of the outstanding deposits of these banking customers. The share of foreign currency denominated loans in total banking loans increased to 31.2% at the end of 2022 from 27.6% at the end of 2021, the advance being supported by the rapid expansion of foreign currency loans contracted by companies. The NPLs ratio in the banking system continued a gradual downward trajectory, decreasing from 3.35% in December 2021 to 2.65% in December 2022. The profitability of the banking system remained elevated in 2022 as borrowers continued to adequately fulfill their debt service (keeping banks' provisioning costs low) and the net interest margin was favourably influenced by the increase in interest rates in the economy.

The following table shows the main developments in the aggregated balance sheet of credit institutions (banks, saving banks for housing, credit co-operative organizations) and money market funds from Romania in 2022.

Aggregate monetary balance sheet of credit institutions and money market funds

	2022 (RON bn)	2022/2021 (change in %)	2022 (% of total assets)	2021 (% of total assets)
Loans and placements with banks and NBR	83.4	**24.8**	10.9	**9.6**
Loans to domestic residents, at gross value:	394.3	**13.2**	51.6	**50.2**
- households	171.5	**4.3**	22.5	**23.7**
- companies	192.1	**20.2**	25.2	**23.0**
- public sector	30.7	**27.8**	4.0	**3.5**
Debt securities issued by residents (mainly government securities)	141.6	**(2.2)**	18.5	**20.8**
Other assets, of which:	144.4	**7.5**	18.9	**19.4**
- external assets	57.9	**(6.9)**	7.6	**9.0**
- fixed assets	19.2	**7.6**	2.5	**2.6**
Total gross assets	**763.7**	**10.0**	**100.0**	**100.0**
Deposits from domestic banks and other MFIs	14.2	**(18.7)**	1.9	**2.5**
Deposits from domestic residents:	545.7	**9.0**	71.5	**72.1**
- households	302.8	**6.7**	39.6	**40.9**
- companies	210.5	**7.7**	27.6	**28.2**
- public sector	32.4	**52.3**	4.2	**3.1**
Debt securities issued	14.6	**106.8**	1.9	**1.0**
External liabilities, excluding debt securities	43.8	**23.2**	5.7	**5.1**
Capital and reserves, including provisions	84.7	**(3.1)**	11.1	**12.6**
Other liabilities	60.6	**31.6**	7.9	**6.6**
Total equity and liabilities	**763.7**	**10.0**	**100.0**	**100.0**

Note: Loans and assets are at gross value (which includes provisions), the figures being different from net values (gross values excluding provisions) which are reported in financial statements made public by credit institutions. In terms of liabilities, "Capital and reserves" includes also provisions. For comparison, net assets of credit institutions amounted only to RON 701.4 bn at the end of 2022. Components may not sum up to totals due to rounding to one decimal.

Source: own computations based on data published by the National Bank of Romania and the European Central Bank.

Summary of Raiffeisen Group's results in Romania

We are very proud with our 2022 achievements. We delivered solid financial and business results in a challenging macroeconomic environment, while continuing to support the real economy. The Group's foundations are in excellent shape: strong capital position as shown by the total capital adequacy ratio before profit incorporation above 21%, loans/deposits ratio at 81%, NPLs below market average, cost-to-income ratio at around 46% and a RoE of 23.5%.

EUR 5.6 bn,

+37% YoY, is the value of the newly approved loans the Bank approved in 2022. Companies new volumes reached an all-time high level of EUR 4.2 bn.

HIGHLIGHTS & ACCOMPLISHMENTS IN 2022

- *Funding the real economy remains one of our key objectives.* Newly approved loans reached EUR 5.6 billion in 2022, +37% YoY. In 2022, EUR 1.4 billion new loans were granted to private individuals, mainly at fixed interest rates. Companies new volumes reached an all-time high level of EUR 4.2 billion, sustained by an increasing need for working capital in a high inflation macroeconomic environment and by our active participation in Governmental programs such as IMM Invest.
- *Loan growth exceeded our expectations, +21% YoY* confirming once again that we are a trustworthy partner for our clients, committed to provide sustainable and qualitative financing solutions. Although in 2022 we increased substantially the interest rates offered to customers for RON and FCY term deposits, the net interest income increased by 34% YoY, sustained by intensified lending activity on all business lines and higher interest rates environment.
- *Digitization is a top priority for us:* clients actively[1] using our digital channels grew by 15% in 2022, exceeding 1.3 million (56% of our customer base). Our branches' network is almost entirely migrated to "cashless", in line with our strategy to improve the digital capabilities and simplify our processes by offering clients the possibility to access a high range of banking products and services with the convenience, safety and speed of online banking applications.
- *First issuance of sustainable bonds.* In August 2022, RBRO successfully issued its first MREL bond (RON 500 million) in sustainable format, a premiere also for the local banking system. With total MREL bonds issued by the Bank in 2022 exceeding RON 1.7 billion, we comfortably cover the MREL funds regulatory requirements and we take pride in being an important pillar for Romanian banking system's transition towards a green and sustainable banking business.

[1] Private individual and SME clients who logged in the mobile or online application at least once in the last month

SELECTED FINANCIALS OF THE GROUP

a. Statement of Profit & Loss

Main Profit and loss items	Note	2022 RON '000	2021 RON '000	informative conversion 2022 EUR '000	2021 EUR '000
				Unaudited	Unaudited
Net interest income	8	2,400,353	1,794,370	486,735	364,678
Net fee and commission income	9	559,076	575,815	113,367	117,025
Net trading and investment income	10	329,197	359,506	66,753	73,064
Other operating income	11	12,624	15,639	2,560	3,178
Operating income		3,301,250	2,745,330	669,416	557,945
Operating expenses	12,13	1,667,780	1,592,569	338,186	323,665
Pre-provisioning profit		**1,633,470**	**1,152,761**	**331,229**	**234,281**
Net charge of provision for impairment losses	14	147,381	108,137	29,885	21,977
Share of loss of associates	25	648	2,824	131	574
Profit before income tax		1,486,737	1,047,448	301,475	212,877
Net profit for the year		**1,256,230**	**818,553**	**254,734**	**166,359**

The comments below refer to the EUR equivalent variations in financial indicators.

- Net profit of the Group stood at around EUR 255 million in 2022, up by more than 50% YoY.
- Net interest income experienced an increase of 34% YoY. Main drivers behind this evolution are an intensified lending activity, especially for Corporate clients, but also by the increasing market rates for both RON and foreign currencies.
- Commissions remained roughly stable YoY. We noticed higher revenues from cards related payments, but also from bancassurance, in line with our strategy for 2022. On the other side, we have lower commissions from cash transactions. Starting the beginning of 2022, our footprint is almost entirely migrated to multifunctional machines and electronic channels, in line with our decision 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.
- Trading income dropped by 8% YoY in a context of some non-recurring events which brought a negative impact on the Bank's revenues in 2022.
  FX related commissions were on a slight growing trend YoY, driven by higher volumes in line with consumption demand, but also by our customers inclination to place their liquidities in stronger currencies following a high volatility after the Russia-Ukraine conflict escalation at the beginning of the year.
- Operational expenses grew YoY by 9%, mainly from higher personnel costs, in line with our strategy to attract and keep talented employees, but also through measures designed to protect employees against the negative effects of inflation on purchasing power. During 2022, we continued the IT investments to improve and develop our digital capabilities in order to cover our clients' needs by offering quicker and more accessible products and solutions using latest available technologies. Also, the effects of the general increase in prices in the economy materialized through higher costs for utilities, rents, fuels and consumables.
- Provision costs booked in 2022 are higher YoY by 36% following a prudent approach of the Bank, in a difficult economic context. Despite a higher level of provisions, our clients have proven a disciplined behavior and continued to pay their installments.

b. Balance Sheet

Raiffeisen Bank Romania's success resides in the balanced and sustainable business growth. Hence, we stayed true to our "proper banking" principles, while providing much-needed funding to the real economy in a difficult economic context brought by the inflationary pressures, high volatility on the financial markets and the escalation of the armed conflict nearby our country.

In the meantime, we made additional efforts to remain a trusted partner for our clients by offering a diversified range of banking products and services, adapted to their financial needs. Besides the standard offer of the Bank, we provided our clients with accessible financing solutions through Governmental support programs, such as IMM Invest for SME clients and Noua Casa for individual customers.

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

informative conversion

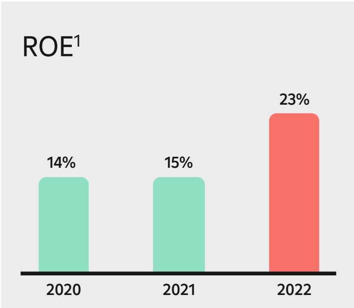
Balance sheet	Note	2022 RON '000	2021 RON '000	2022 EUR '000	2021 EUR '000
				Unaudited	Unaudited
Cash and cash equivalents	17	**8,281,451**	11,288,325	**1,673,900**	2,281,345
Loans and advances to banks	20	**323,543**	1,518,422	**65,397**	306,870
Loans and advances to customers	21	**40,036,027**	33,231,020	**8,092,337**	6,715,915
Investment securities	22,24	**12,306,252**	12,211,208	**2,487,418**	2,467,858
Other asset positions		**1,642,483**	1,584,486	**331,989**	320,221
Total assets		**62,589,756**	**59,833,461**	**12,651,040**	**12,092,209**
Deposits from banks	32	**578,106**	357,562	**116,850**	**72,262**
Deposits from customers	33	**49,233,568**	49,702,577	**9,951,402**	10,044,780
Debt securities issued	34	**3,887,808**	2,118,575	**785,829**	428,159
Subordinated liabilities	34	**323,726**	323,334	**65,434**	65,345
Other liability positions		**2,112,576**	1,976,614	**427,007**	399,469
Equity	37-39	**6,453,972**	5,354,799	**1,304,518**	1,082,193
Total liabilities and equity		**62,589,756**	**59,833,461**	**12,651,040**	**12,092,209**

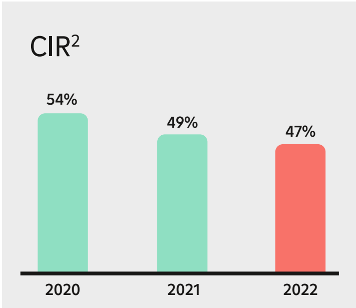
- In 2022 we exceeded the EUR 12.6 billion landmark in terms of balance-sheet size, an increase of 5% compared to the previous year.
- In 2022, we witnessed an excellent performance for the loan production. One of the main objectives of our activity is to have an active role in financing the real economy growth, thus leading to an active involvement in projects and investments financing for SME and Corporate clients, by offering our customers the possibility of accessing governmental schemes such as IMM Invest, besides the standard offer of the Bank. Notably, we managed to achieve an all-time high level for Corporate new loans production, above 2021 level by 75% with outstanding results for both Large and Mid-Market companies. Furthermore, the new loans granted to SME clients are higher YoY by 10% while Private Individual originations registered a slight decline of 6% in comparison with last year due to a difficult macroeconomic context ruled by inflationary pressures and upward market rates.
- The net loans stock increased by 21% YoY. Corporate clients loan stock grew by an excellent 44% with positive impact from both Large Companies (around 60% loan stock growth YoY) and Mid-Market (around 30% loan stock growth YoY). This evolution was also driven by the high inflation macroeconomic environment which led to an increasing need of working capital for companies. SME loan stock advanced by 17% in comparison with 2021 year-end with a notable contribution from governmental schemes, especially IMM Invest. Private Individuals loan stock is also on a growing trend YoY by 7%, almost evenly from personal loans and housing loans. Worth mentioning that most of the loans granted by the Bank to individuals were on fixed interest rate, thus protecting clients from potential shocks from market rates evolution.
- The balance sheet is continuously leaning towards local currency business, as a share of around 60% of our loan book is RON-denominated, with main influence from Retail lending for which a weight of near 80% of the total loan stock is RON-denominated. Notably, EUR-denominated loans became more attractive for Corporate clients, thus leading to a higher share of foreign currency loans during 2022.

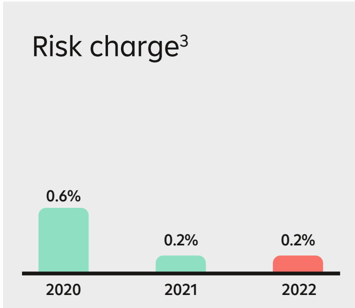
- We increased our securities holdings throughout 2022, in line with our strategy to lengthen the average duration of the assets, optimize the structure of the balance-sheet and the net interest margin, while proving necessary funds to the local Government in a challenging period for the local economy.
- Customer liabilities stock remained roughly stable in comparison with last year in a difficult economic context, affected by inflationary pressures which affected households' revenues and by a highly competitive interbank environment for attracting RON and foreign currencies liquidities. Customer deposits grew by 40% YoY, largely from Private Individuals business line, thus confirming once again that we remained a trustworthy partner for our customers. In 2022, we gradually increased the interest rates offered to clients for term deposits on RON and foreign currency, encouraging them to save through a diversified range of savings products remunerated with competitive interest rates. Current accounts stock experienced a significant decline YoY as most of our clients decided to redirect their liquidities to saving products with higher returns such as deposits/government securities.
- The Bank's capitalization and liquidity remained at solid levels during 2022. Through the four MREL eligible bond issues placed in 2022 (in amount of over RON 1.7 billion), the Bank has further strengthened its own funds and eligible liabilities ratio to over 32%, exceeding by a consistent margin the minimum regulatory requirements and thus creating the premises for a sustainable development of the loan portfolio in the future as well. Moreover, through the green and sustainable format of the bonds issued, the Bank reaffirms its commitment to contribute to Romania's transition towards a sustainable economy, supporting the reduction of regional disparities and strengthening the resilience and competitiveness of small and medium-sized enterprises.
- Raiffeisen Bank continued in 2022 to develop strategic financing partnerships with international financial institutions. Thus, the Bank strengthened its financing capacity through a synthetic securitization, the first transaction of its kind on the local market. The new partnership with the European Investment Bank (EIB) and the European Investment Fund (EIF) will allow Raiffeisen Bank to offer, over the next two years, financing to eligible beneficiaries, SMEs and MidCaps, of up to RON 523 million (EUR 106 million), at a reduced interest rate compared to other similar financing.
- Regarding our liability's denominations, the structure between RON and foreign currencies remains in favor of the former and closed the year at around 65/35 ratio.
- The strong rise in deposits from customers during the year, as well as our cautious policy to retain profits and grow the average equity position during these challenging times, have all granted the Group a solid footing for the future.

PERFORMANCE FOCUS

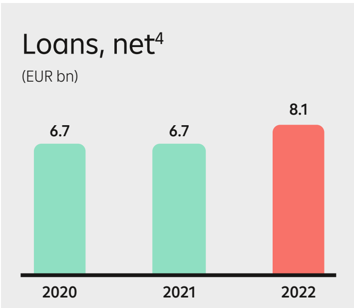
ROE[1] stands at 23% in 2022, significantly above the average market level and higher by 9pp YoY. We obtained higher revenues than last year mainly from intensified lending activity, in a context of increasing market rates. Operational costs increased at a slower intensity in comparison with revenues evolution, while the risk profile remained similar to 2021.

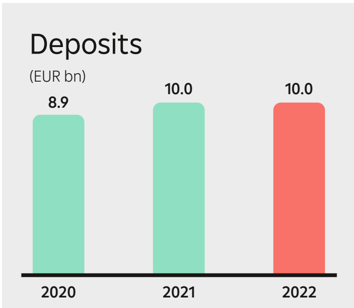




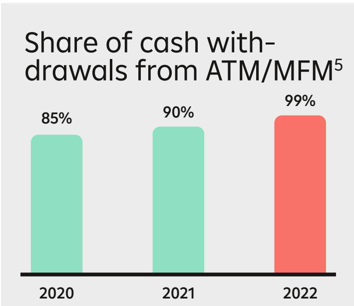


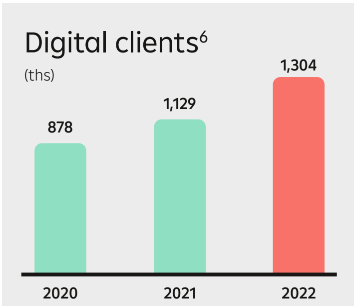
Our loan portfolio advanced YoY by 21%, sustained by an excellent lending activity for all major segments and products. Customer deposits remained roughly stable compared to the end of 2021. From a product perspective, the gradual increase of the interest rates offered to clients for both RON and foreign currency term deposits led to a migration of liquidities from current accounts to savings products.

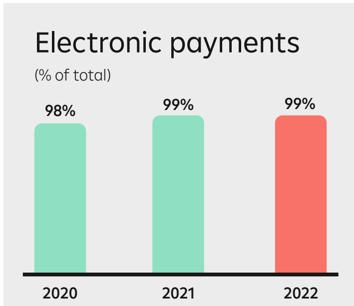




The number of digital clients increased by 15% in 2022, exceeding 1.3 million (56% of our customer base). Our footprint is almost entirely migrated to cashless, in line with our strategy to improve the digital capabilities and simplify the processes by offering our clients the possibility to access a high range of banking products and services through Internet Banking applications.







[1] Bank level, net profit divided by the average value for equity in the period, without the profit of the current year

[2] Cost/income ratio calculated based on Group reporting management accounting standards

[3] Provisions for impairment losses divided by total average assets

[4] Loans, net of provisions

[5] Cash withdrawals through ATM and multi-functional machines, as share of total cash withdrawals of the Bank

[6] Private individual and SME clients who logged in the mobile or online application at least once in the last month

Human Resources

The goal of having employees who feel content and happy with their day-to-day work is a stepping stone for our organization, enabling us to provide our customers the best financial expertise and the best-in-class digital solutions.

PEOPLE COME FIRST

For the reason stated above, we have integrated the "people come first" philosophy into our regular activity, with visible results in the measured indicators: *employee workplace satisfaction* increased from 76% last year to 80% in 2022 and eNPS registered a significant increase, from 71% to 80%. The Bank's care for its employees is appreciated, the Care & Concern indicator increased from 75% to 79%, and the Well-being indicator increased as well, from 72% to 79% (employees consider their office work allows for a good work-life balance). The percentage of those who believe they showcase their knowledge and skills at work increased from 86% to 89%.

To meet the needs of our employees and offer competitive solutions and services to customers, we initiated the *transformation* of the organization by adapting to a new, agile way of working, we increased our efforts in the area of digitization and efficiency of processes in key areas of the organization (the business lines, Retail Network Sales Force, IT) – *14% of the organization worked in an Agile manner in 2022.*

At the same time, *we continued to make the work schedule more flexible* in the Headquarters and Brașov Operational Center, adopting the hybrid work schedule that consists of being physically present at the office for at least one day per week, and the rest of the work days outside the office. This is appreciated by our employees and is, at the same time, a positive differentiator for them, but also for candidates.

RELEVANT EMPLOYEE DATA

We have 4,930 active employees at the end of 2022, 300 more than in the previous year. This increase is mainly due to IT, Retail Network and Brașov Operational Center. At the same time, the number of *internal and external recruitment* processes increased from 1,410 (year 2021) to 1,738 (year 2022), representing an increase of 23%. Staff turnover decreased by 18% across the entire organization in 2022 compared to the previous year, regarding the number of *voluntary departures (16.6% vs. 20.2% in 2021).* We registered a 48% decrease in voluntary departures in the IT area. At the same time, we saw an increase in the number of new hires, due to the addition of over 90 positions. We also recorded a significant reduction in voluntary departures in the Retail Network, from 21.9% to 16.6% (a decrease of 24%) and in the total number of departures from the organization (both voluntary and involuntary), 958 in 2022 vs. 1,138 in 2021 (-16%).

SALARIES AND EMPLOYEE BENEFITS

We doubled our *budgets for salary increases* in 2022. We wish to motivate people from all points of view, and the financial security of employees is constantly in our attention. That is why we have started a series of initiatives in this regard: increasing the minimum net salary at the Bank level, positioning of the salary scale at the market level, the granting of merit salary budgets in order to assure the correct positioning of the salaries of colleagues with outstanding performances in the organization.

In 2023, the budget allocated to support human capital will continue to grow, in order to support the investment in retaining and attracting well-trained colleagues, but also the programs designed to assist their continuous professional development, Raiffeisen Bank being recognized as an important school of banking.

Even if some employees choose to continue their activity in other organizations, 94% of the respondents interviewed via "exit interviews" believe that Raiffeisen Bank is a good place to work, and 90% consider that the Bank supported them to achieve their career goals, Raiffeisen Bank being an excellency benchmark in their professional portfolio.

For our talents and top performers (1,400 employees), together with their managers, we put together *individual development plans,* covering 1,000 of them in 2022. The position of their salaries compared to the midpoint of the salary market for this segment of employees is 91%, compared to 85% for the entire organization. As staff turnover in this segment, we recorded only 3% (approx. 40 employees).

In the area of *benefits,* we wish that each colleague is able to choose his benefits package according to his needs, while also being aware of the investment. That is why we have implemented a flexible and transparent system that allows employees to make their own choices regarding the content of the benefits package offered by the Bank: medical subscriptions, meal vouchers, Pension Pillar III, holiday and cultural vouchers, other vouchers, courses and development programs, sports and more. The flexible benefits system was highly appreciated among employees, the level of satisfaction for this initiative being 4.42 out of 5.

The employees' choices were in the direction of long-term well-being. They invested 10% more in Pillar III pension, they also increased their own contribution by 13%, while almost half of them chose to purchase a medical subscription that is more complex than the standard one offered by the Bank.

We have built an environment of recognition of merits and sustained performance: colleagues in the Retail Network with a constant performance throughout the year received on average approximately 1.97 more salaries, in addition to the standard remuneration. Thus, their salary package reached 15 salaries/year plus benefits, including the 13th salary.

RECRUITMENT SYSTEM

The automation of the recruitment process – we started to work on digitalizing it –, the identification of a larger number of candidates with a high level of expertise and, last but not least, the development of the hiring managers' recruitment skills were among the needs identified in 2022.

We created a specialized training program dedicated to hiring managers, focused on developing their skills in the field of recruitment. The pilot workshop took place in June 2022. 42 hiring managers attended these courses.

TRAINING

One of our promises as an employer is to support employees in *developing the professional skills* necessary for their current and future roles in the career paths they have set for themselves.

During 2022, 4,360 colleagues attended at least one professional training course, the average number of training days per employee being 5.07. The investment in the training and certification programs was 1.4 million euro.

In addition to courses featuring a niche, technical theme, attended by colleagues from specialized areas, we run transversal, modular programs that cover a more extensive need for knowledge and skills.

The Digital Academy is the program addressed to our colleagues in the agencies. It includes relevant content at hand about the products and services available through digital channels. Thus, they can guide customers as well as possible in accessing and using these products and services, facilitating the transition to digital banking. A number of 2,071 colleagues accessed and completed the modules available within this program.

Another program available to colleagues in the agency network is the *Mortgage Academy,* containing information to help them understand credit products and advise clients on accessing these products. 1,074 colleagues attended this program in 2022.

With *Banking University* program, our expert colleagues in various banking areas prepare and deliver courses for other colleagues interested in developing professionally. In 2022, we had 57 fellow lecturers in the program, who sustained 90 course sessions.

Also in 2022, we developed and launched the *Learning Journeys* development tool. The objective of these development guides is to add clarity and progressively guide the learning processes, along the strategic directions of the organization. Whether they have an impact on the immediate activity and development of colleagues' skills and knowledge, or in the future, managers can use these guides in discussions regarding individual learning objectives. At this moment, Learning journeys are available on capabilities such as: User Experience, Data, Advanced analytics, DevOps, Product Management, Agile, Cloud infrastructure, Integration management.

The continuous attention for Health and Safety at Work, correlated with our digitization strategy has guided us towards the *automation of the specific training/testing process* and the electronic signing of training documents in Health and Safety.

SOLIDARITY

The war in Ukraine has a strong impact on everyone. Raiffeisen Bank Romania expressed its openness to be close to those who needed our support from the very first moments.

Our colleagues from Ukraine and their families who fled the path of war and entered the territory of Romania needed help. We formed a team of volunteers who provided support between March and December 2022 for all types of needs: financial, logistical, medical, educational, transport, documents, visas, etc. The consumed budget was 250,000 euro, and the number of supported people was about 600, of which 99 people (33 families) benefited from long-term support, the others being in transit.

Risk management

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

The risk management function is independent from the business and it is focused on the administration and control of the credit risk, market risk, liquidity risk, operational risk, 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 the market conditions, products and services offered.

Starting with 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 the 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 with 2015.

Starting with 2018, the Bank applies the IFRS 9 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.

The Bank is in the process of developing and implementing the tools for the identification, measurement and management of the ESG risk – environmental, social & governance 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 models approach (IRB) starting with 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 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 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 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 defense 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 the Group level. The Group received ECB approval for using the Advance Measurement Approach.

REPUTATIONAL RISK

Within the Bank, 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.

Tools for assessing reputational risk:

- Reputational risk indicators, which include 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 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's risk profile.

Reputational risk is a priority for the Bank, therefore we continuously focus to improve the management process, especially in terms of raising all the employees' level of awareness through specialized training programs, but also to periodically review the specific reputational risk indicators, taking into account changes in both the Bank's strategy and the external environment.

Raiffeisen Bank's Sustainability Report 2022

The non-financial performance of Raiffeisen Bank Romania and the sustainability measures implemented by the Bank are detailed separately, in the Bank's Sustainability Report for 2022, published on the Company website under **Rapoarte anuale de responsabilitate corporativă** (raiffeisen.ro).

Segments' report

We want to actively contribute to the development of ecological farming and support farmers to develop their businesses sustainably with the help of technology.

The programs we fund aim to increase crop efficiency and productivity, integrate technologies, data and protocols into easy-to-use platforms, and better connect farmers, who can thus collaborate more effectively.

Corporate Banking

In 2022, the Corporate Banking Division pursued its strategy to ensure the long-term viability of the partnership with ecosystems formed around key account customers. The mature industry expertise developed over a long period of activity in the market helped this effort by bringing significant advantages to the corporate customers.

In 2022, the ESG infrastructure experienced a significant evolution materialized in the 26.7% increase in the ESG eligible assets.

Becoming an important part of the Division's strategy, the ESG infrastructure experienced in 2022 a significant evolution materialized in the 26.7% increase in the ESG eligible assets. Investors' confidence in the sustainability of these assets was also manifested by the first MREL bond issue, whose risk was covered by a part of the bank's ESG assets.

SEGMENTS' PERFORMANCE

For Large Corporate customers, the internal teams lead by industry experts managed to provide customized growth solutions, transforming RBRO Corporate Division in a reliable partner on the most relevant transactions in the market.

On Mid Market & Public Sector segment, the Bank continued the active engagement in growing and sustaining the clients through conferences, workshops and best practice sharing on subjects vital for the development of the companies (e.g., processes, business development, research, sustainability, etc.). Evolving from the experiences gained in the previous years and adapting to the new digital context, The Raiffeisen Catalizator platform continued in 2022 and received high appreciation from our partners, who participated in large numbers.

Solid and reliable finance structures on all types of products allowed the corporate segments to propose to our partners the best solutions considering their profile and market conditions. This approach determined a balanced growth of the portfolio on all products, ensuring the stability of future growth. An important role in the growth effort had the continued partnership with institutional investors (e.g., EIB, EIF, EBRD), especially in Mid Market segment.

Corporate Banking was an active partner in the IMM Invest (SMEs Invest – state guarantee scheme with a total close to 600 million EUR approved facilities in the four years when the Program was active). The result is a statement of the extensive internal effort to accommodate the demanding legislative requirements of the program.

Moreover, an important attention was paid to the green financing addressed to LPA (Local Public Authorities). In this respect, we managed to position ourselves in a consistent supporter of the projects of this kind, carried out by important municipalities in the country (e.g., electric public transportation fleet, infrastructure for alternative transportation, reforestation, public gardens, etc.).

2022 was a good year also in terms of syndicated market, with transactions in different economic sectors. Benefiting from Group guidance and investing in important training programs, the Bank managed to act in various different roles in the transactions.

An important contributor to the assets growth was the project finance business line, with significant big tickets in real estate and retail. The internal expertise managed to bring an important improvement to time of implementation and to the risk profile of this type of transactions.

Transactional banking solutions continued the optimization efforts with the scope of migrating to electronic channels, reaching a 98% level of digital transactions. In 2022, significant steps were taken to speed up the migration of further services and processes on digital platforms, sustained also by sales force efforts to promote secure, fast and reliable electronic mediums of communication and processing.

In terms of results, the Corporate Division managed to increase its assets base on a sustainable basis and maintain its important contribution role to the Bank's profit.

Retail Banking

In order to make our customers' life easier, the range of the products and services offered by Raiffeisen Bank continued to expand in 2022, especially by focusing on our digital services and on the constant optimization of our mobile banking application, Smart Mobile.

Approximately
1,250,000
individual customers use mobile/internet banking apps monthly, with an average of 22 logins per client in a month.

RETAIL BANKING

We worked to provide quality online experiences, with the clear intention to continuously adapt to our customer's evolving needs and to ensure that we engage with them when and how they want. Each channel complements the others with its own specificities. We aimed to leverage primarily remote relationships and to offer our clients a 360-degree experience.

2022 achievements of which we are most proud include confirming the quality of digitization solutions offered to our customers in the online process for opening the relation with the Bank remotely, by the accreditation obtained from the Authority for the Digitization of Romania; the launch of new functionalities in the mobile banking application, such as SavingBox and the instant payment service, for which we exceeded the market share of 22.7% at the end of the year; the implementation of the Smart Market loyalty ecosystem, which passed the threshold of 350,000 customers in just 8 months after its launch.

At the beginning of 2022, the implementation of the working model focused on providing consulting and value-added interactions for customers was successfully completed throughout the agency network. Thus, the operations specific to cashiers have been transferred to the network of ATMs and multifunctions available 24/7, with a series of other alternative solutions available ("cash box" for depositing large amounts and maintaining some cashiers exclusively dedicated to collecting payments on foreign exchange loans from individuals). Also, payment operations continued the model established in previous years, of being carried out on the Bank's digital applications. Thus, the staff of the agencies is entirely dedicated to offering personalized advice, recommending the most appropriate credit, investment and savings products, as well as providing the best indications for optimizing the use of the products and services already held by customers.

DAILY BANKING DIGITAL TRANSFORMATION

We maintained our focus on the needs of our customers throughout 2022 as well.

Thus, regarding the mobile banking application dedicated to our individual customers, Smart Mobile, the developments and launches in 2022 were guided by principles aimed at safety and performance on the one hand and customer convenience on the other.

In the first part of 2022 we launched an improved SmartToken activation flow (the application for authentication to the mobile/internet banking application and also transaction authorization). We also emphasize the security component in terms of information and awareness, by running recurrent campaigns on online security.

In addition to various optimizations, the second part of 2022 was about the launch of new features for easy banking in Smart Mobile: shorter flow to get a Flexicredit pre-approved, Instant Payments, SavingBox.

We ended 2022 with an increase of the number of active digital, individual customers, which translates into the following statement: approximately 1,250,000 individual customers use mobile/internet banking apps monthly, with an average of 22 logins per client in a month.

Furthermore, the app users enjoy:

- Smart Hour option – Lei-Euro, Euro–Lei exchange at the NBR rates, from Monday to Friday between 10-11;
- And also other options that meet simple self-service needs such as: PIN code reminder for a card or recovery username flow, card blocking/blocking with the reissue (and sending it by courier), receiving push notifications for account collections or card payments;
- Options that meet more sophisticated needs such as: updating personal data, Flexicredit flow, subscribing to Raiffeisen Asset Management investment fund units, creating a template for setting recurring payments to the Raiffeisen Accumulation Pension Fund.

The year 2022 was also about reaching maturity for the digital customer enrollment flow, launched at the end of 2021. In the course of the year, Raiffeisen Bank obtained the accreditation from the Authority for the Digitization of Romania, for the remote identification solution related to the customer digital enrollment flow PF via Smart Mobile. This accreditation confirms the quality and safety of the video identification solution made available to clients for the remote enrollment, through the digital enrollment flow. The flow is easy, anyone can open a current account in 15 minutes in 5 simple steps and can benefit from the Zero Simplu current account package. The package has zero costs for the current account, the attached debit card, mobile banking, the savings account, as well as free withdrawals in lei from the ATM's of any bank in Romania. Customers can enjoy all these benefits free of charge by making a single monthly electronic payment – either by card, mobile phone or in Smart Mobile. The package can be used immediately, and the debit card is sent to the customer's address by courier, for free. Additionally, customers can enjoy rewards when paying with the card, within the Smart Market loyalty program (cashback, discounts at merchants, vouchers) and make Euro-RON and RON-Euro exchanges at the BNR rate every day during Smart Hour, for their travel needs.

If a few years ago, becoming a client of a bank and opening a current account remotely were just nice ideas, now this has become reality. Even if it talks about "distance", Raiffeisen Bank believes that digitization in banking, in fact, brings the banks even closer to customers and helps meet their needs to benefit from quality banking services, simply and quickly, even from the comfort of their own homes.

Customer's appreciation and the results of the efforts made have seen a significant increase from one quarter to the next in the number of digitally enrolled customers, so that in the second half of 2022, Raiffeisen Bank had an increase of over 300% compared to the first semester of the year. The increasingly high satisfaction with the enrollment experience of its PF clients is also confirmed by the high level of recommendation, reflected in a Net Promoter Score of 80 points.

Raiffeisen Bank's customers can pay with shopping cards and by phone via RaiPay on Android and Huawei, by Apple Pay on iOS. Garmin Pay is also available on Garmin watches.

Last but not the least, in order to complete the digital solutions portfolio offered to our customers, we launched in April 2022 the first loyalty ecosystem in Raiffeisen Bank Romania: Smart Market. What it proposes is to bring together all our customers (PI, SME, Corporate), through an innovative mobile app, in order to increase their satisfaction and retention rate. This is the first app on the Romanian market that offers its digital customers, personalized campaigns and all types of rewards: cashback, discount vouchers from partner merchants, loyalty points, prizes or Bank offers.

Over
350,000
users and over 50 merchants were gained by the Smart Market app in just 8 months since its launch in April 2022.

In only 8 months from its launch, the app has gained over 350,000 users and over 50 merchants that offer them rewards and campaigns with relevant discounts.

On the other side, we sold over 9,000 products through the app, serving one of its main purposes of becoming a new sales channel for Raiffeisen products.

The app was received as a very pleasant surprise and a recognition tool for our customers, thus registering a +4 rating both in App Store and Google Play, as well as a high increase in Net Promoter Score index.

DAILY BANKING PI – CURRENT ACCOUNT AND TRANSACTIONAL PRODUCTS

We are moving faster and faster towards the era of digitization, and during the year 2022, for the category of transactional products and services, we have simplified the way in which individual clients can carry out all the operations they need at no cost in safety.

In order to benefit from the free current account and enjoy all the attached benefits, it is necessary to make only one electronic transaction per month. Customers have the opportunity to conclude a direct debit mandate in order to pay utilities, without making additional trips to the service providers, thus enjoying the free account package.

This direct debit service is also free and can be configured directly from the Mobile Banking application.

For a good understanding of the mechanism, we started periodic information and education campaigns through which we inform our clients about how they can obtain these benefits attached to the current account for free.

In order to speed up the digitization process, the Raiffeisen Bank offer for current accounts addressed to individuals is available 100% online through the digital applications, Raiffeisen Smart Mobile and Raiffeisen Online.

In order to improve the customer experience from the perspective of transactions, Raiffeisen Bank launched the instant payment service for individuals. Thus, customers can send or receive money instantly, to or from any of the banks participating in the Instant Payments system. In just 4 months after its launch, Raiffeissen Bank reached a market share for the instant payments category of 22.77%.

ENCOURAGING SAVINGS AND INVESTMENT

The context created by the geopolitical tensions in Europe and by the rise in inflation rates has determined the behavior of customers in terms of saving, who are more concerned with choosing the most suitable saving and investment solutions for them.

Raiffeisen Bank continues the financial planning actions and supports customers in creating a safety reserve, to save regularly for medium and long-term plans by offering a diversified range of solutions (saving and investment products) and to cover the risks with insurance instruments according to their needs, financial goals and lifestyle.

We believe in the digitally powered financial relationship with our customers and bring Financial Planning knowledge in "Smart Finance" program to make their day easier.

In 2022 Raiffeisen Bank raised the interest rates on savings products in lei up to a maximum of 7.5% per year and updated the savings offer in foreign currency by reintroducing term deposits and savings accounts in EUR and USD with interest rates up to a maximum of 1.75% per year, for deposits in euros, and up to a maximum of 2.75% per year, for deposits in dollars. Savings products for individuals are available exclusively through the digital channels – Raiffeisen Smart Mobile and Raiffeisen Online.

In the final quarter of 2022 Raiffeisen Bank launched SavingBox, a new functionality available in Mobile Banking, with which customers can save constantly and effortlessly. SavingBox is a free service that allows customers to create a reserve fund, in a simple way, by putting money aside in a savings account in lei with each debit card payment; the client has access to his money at any time and also receives an advantageous interest rate of up to 4% per year.
Since the launch of the new functionality in Mobile Banking, from mid-November until the end of 2022, more than 26,000 customers have activated and used their SavingBox functionality.

During 2022, our customers started more than 25,000 Saving & Investment or Pension plans, taking a first step towards meeting their medium- or long-term objectives. Thus, they are better prepared to face financial uncertainties, closer to fulfilling their dreams or to preserve their living standard after retirement. The number of new Pension plans concluded increased by more than 900% compared to the previous year.

More than 25,000 "Protect" life insurances concluded during 2022 help our customers to be better protected against unpleasant life events. The number of "Protect" insurance contracts concluded increased by more than 137% compared to 2021.

RESPONSIBLE AND SUSTAINABLE CREDIT SOLUTIONS

Our lending strategy is still focused on supporting our clients' plans and meeting their needs, centered on providing responsible and sustainable lending solutions. During 2022, in an economic context full of uncertainties, Raiffeisen Bank continued to meet the needs of its customers, offering unsecured and guaranteed lending products with fixed interest, an important element that provides stability and predictability in the medium term, which means a lower impact on the budget of the clients' household.

Through these products, the Bank offered customers stability through the offer of fixed interest loans, in the volatile context of increasing variable interest rates, both for unsecured and guaranteed personal loans. In the structure of real estate loan sales, the share of those with fixed interest for a while reached over 60%. We have also offered the clients the possibility to change the type of interest from variable to fixed variable for 5 years to balance the impact of the increase in interest rates.

Additionally, we continued to offer the benefit "Holiday Payment – 3 Installments" which is granted free of charge to support customers in uncertain situations in this economic context. At the same time, for the protection of the clients during the entire period of the loan, they can benefit from a life insurance package both for the unsecured and secured personal loans.

In 2022, we continued to provide our clients with financing solutions appropriate to their context and needs by providing an approximate number of 220,000 new loans during the year. By optimizing our digital processes to meet the needs of our customers, we managed to offer them a simple and attractive process of taking out an online loan. With just a few clicks, the Bank's existing eligible customers can access a personalized loan offer from the comfort of their own home. Through this simple process, at the end of 2022, one in 3 customers contracted a personal loan initiated in the Smart Mobile application.

The Bank has made all the necessary efforts to meet customers with simplified flows adapted to the current context, which allow customers to access our products through remote channels and electronic signature.

During 2022 we continued to promote products through which we encourage support and responsible lending, so the loans in the Mortgage Green category reached a share of over 50% of the volumes of the home purchase loans.

TOP POSITION ON THE CREDIT CARDS MARKET

Raiffeisen Bank continues to be one of the leaders on the credit cards market in Romania, with a portfolio of over 570,000 cards.

In February 2022, we launched a new RaiPay version, through which we have introduced for Raiffeisen Bank customers disposable virtual cards for online payments. Thus, customers who have enrolled a credit card in RaiPay can generate valid card data for a single purchase, used for payments on less known sites. The disposable virtual card was part of an important release of the RaiPay application, which brought several improvements to it.

PREMIUM CUSTOMERS

In 2022, Raiffeisen Bank continued to meet the complex needs and wishes of its Premium customers. In order to add even more value to the platform for communication and interaction with them, RaiConnect, the Bank has simplified and adapted the processes and procedures so that it can remotely offer most of the products addressed to private clients. Customers can easily replace the visits to the branches with online meetings with their banker, being able to benefit from complete and immediate support, in real time, from wherever they are. The qualified electronic signature, offered free of charge by the Bank, completes the package of benefits of the RaiConnect service.

Through the RaiConnect application, the Bank offers its clients advice and support in the purchase of products remotely, keeping in touch with their needs and suggestions, thus enjoying a high appreciation from them.

CO-CREATING THE FUTURE OF BANKING WITH OUR CLIENTS

In line with the Bank's vision to become the preferred financial ecosystem in Romania, 2022 was a year of significant achievements (including NPS improvement across customer segments) that reflect the continuous commitment to understand the needs of customers and create value for them. Through a partnership with a top provider, we continued the development of the Customer Experience PULS platform, capable of providing a centralized perspective on the opinions of the customers in our portfolio, in real time. The platform provides a solid foundation for improving the quality of products and services offered, based on customer evaluations and feedback, with the main goal of improving the overall customer experience with the Bank. In 2022, we sent over 3.5 million invitations to complete surveys and collected over 300,000 feedback from customers of branch agents, personal bankers, direct sales agents, and customers who interacted with the Bank through digital channels, the call center, or the complaints management department.

In 2022,
over 85,000 SME customers used digital banking solutions, with over 75% active users.

At the same time, we continued to provide training and instruction programs to continuously improve the customer experience skills of our employees, ensuring that our customers have a professional interaction with front office employees and easier access to our products and services, leading to the creation of long-term relationships based on trust.

In 2022, the number of complaints recorded by Raiffeisen Bank increased by 20% compared to 2021. Out of the total number of complaints, approximately 60% were disputed card transactions. This year, Raiffeisen Bank resolved 75 conciliation cases through the Alternative Banking Dispute Resolution Center, resulting in a total benefit of approximately EUR 180,000 for customers.

FRIEDRICH WILHELM RAIFFEISEN (FWR)

The Private Banking division of Raiffeisen Bank Romania remains a leader in professionalism, innovation, and financial solutions for elite customers in Romania. As a result of continuous innovation, both in terms of products and services offered, the number of customers who benefit from the highest standards in Private banking increased by 300 customers, reaching 2,500 customers at the end of 2022. Our services received the Best Private Banking in Romania award (in the last three consecutive years) as a recognition of the long-term commitment made towards our customers. In 2022, we focused our strategy on staying close to our clients, by launching the financial advisory service, thus becoming the first bank in Romania authorized to offer this service.

SMALL AND MEDIUM-SIZED ENTERPRISES (SME)

More than 100,000 companies sum up the SME client portfolio, including Liberal Professions clients according to their membership in the various associations and professional orders.

In 2022, our strategic goals aimed to improve the functionalities of our digital applications and enrich the operational offer with innovative applications and premium products to meet the need for recognition of our customers.

Permanent development of Raiffeisen Online and Smart Mobile digital solutions represented our focus in 2022 and will continue to be in 2023. We actively support the migration to alternative banking channels by providing digital platforms to host all our main products and services. This is a major pillar of our strategy for SME customers. Following this approach, the Bank launched redesigned mobile and internet banking applications with improved capabilities to provide an enhanced customer experience, ensuring expanded service availability with reduced transaction costs. In 2022, over 85,000 SME customers use digital banking solutions, with over 75% active users.

Among the newly launched functionalities this year is the management of user-rights and limits, fully integrated in the application, the legal representative having now all the tools to make changes remotely, the opening of SME current accounts, grant accounts and deposits. SME customers who own several companies and for the ones that owe a company and are PI customers for the Bank we have created a simplified way to enroll and access accounts through the Smart Business application. This secure solution based on the activation of a single profile for each company significantly simplifies the way to use the application and is highly appreciated by customers.

Simplification and digital transformation were also supported in 2022 by the card acceptance solution through RaiPOS (SoftPOS - Soft Point of Sale), an application offered by Raiffeisen Bank to merchants involved in the sale of products and services. This simple and intuitive application dedicated to SME customers turns the SME customer phone or tablet into an electronic card payment terminal. Accepted cards are VISA or Mastercard, both for individuals and for legal entities. Due to the lower costs compared to the standard POS, in less than 6 months from the launch, a significant number of merchants are using this new possibility of accepting card payments offered by Raiffeisen Bank.

To provide a complete the digital experience of our lending customers, we continued our partnership with the international technology and innovation company QUALITANCE and extended the benefits of the SME Digital Credit Platform to an ever-increasing number of existing customers. Functionalities were added to increase the level of automation, transparency, and efficiency, allowing new categories of customers to benefit of the digital flow and get the money in the account in about 15 minutes. These automations allow a lending decision to be made in real time, directly in the Platform, offering the client a pleasant experience during the process, a fact demonstrated by the feedback expressed by our clients directly in the internal Customer Experience platform.

We continue to support our best customers by offering them online access to financing, without visits to branches, without physical documents, in maximum security conditions. Currently, approximately 1,500 have enjoyed a simple and fast flow of credit, 100% online, with granted volumes of approximately EUR 30 million.

The year 2022 marks the launch of the first PLATINUM business card in Romania dedicated to legal entities, in partnership with VISA, bringing comfort and flexibility to entrepreneurs conducting business also abroad, have partnerships with external suppliers and has an active social life. In addition to the usual operations (cash withdrawals in the country or abroad, operations performed at all types of ATM/MFM/POS terminals, online payments, automatic conversion into the currency of the country where the card is used and free payment at merchants), the VISA PLATINUM business card offers access to Lounge Key in airports in Romania and around the world and access to the Air Refund platform.

The steady trend of migration towards digital solutions, including in the field of operations, is also supported by the results obtained from the promotion of card payment acceptance services, which in 2022 will mark unprecedented results: 163 million transactions carried out through Raiffeisen Bank terminals (POS, RaiPOS, eCommerce platform), representing an increase of approximately 20% compared to the previous year.

To cover cash withdrawal and deposit needs, SME clients have various solutions at their disposal: over 1,131 multifunction machines ("MFM") that allow multiple transactions including cash deposits and withdrawals, bill payment, account statements, currency exchange. Cash withdrawals with Visa Business cards can also be made at the ATM/MFM of any other bank in Romania with the same costs as withdrawals from Raiffeisen Bank machines. A new solution appreciated by SME customers is the multi-currency deposit equipment, SMART CASHBOX, currently in the number of 55 terminals installed in various national locations and continuing to expand in 2023.

The adoption of digital transaction solutions by most clients from the SME portfolio has encouraged us to eliminate cash operations in the Branches as of February 2022. Currently, all our clients operate transactions exclusively in the digital environment, new functionalities of the Smart Business application being planned to be available in 2023.

Operations in a digital environment also led to an increased efficiency of customer service provided in Branches, our colleagues were able to spend more time in authentic interactions with our SME customers, being at their disposal both for lending consultancy and guidance on the use of digital applications dedicated to the SME segment.

In this direction, the digital consulting solution offered through the Raiconnect platform has attracted over 4,000 clients to the new remote advisory business model, lending facilities over EUR 16 million volumes being granted exclusively through this platform in 2022.

In the transactional area, the new SME current account packages launched at the end of 2021, with the main characteristics of flexibility, modularity, and adaptability to any customer profile, were adopted by an increasing number of customers who accessed the included benefits, such as: unlimited transactions, priority/dedicated line in Call Center for SME customers as well as extra-salary benefits offered to employees through the partnership with the EDENRED service ticket company.

Lending needs were sustained this year through the 5 IMM INVEST programs in which Raiffeisen Bank participated as a financial partner: IMM INVEST, AGRO IMM INVEST, GARANT CONSTRUCT, RURAL INVEST and IMM PROD. In total, Raiffeisen Bank Romania granted over 1,800 loans to over 1,500 clients from very diverse fields of activity, with an approved value of approx. EUR 216 million.

"Factory by Raiffeisen" remains this year an emblematic initiative aimed at supporting the development of startups based on innovation, contributing to the process of building a strong ecosystem for startups in Romania. The "Factory by Raiffeisen" community today totals over 5,000 active clients, of which they have loans approved in 2022 in the amount of EUR 15 million.

This year we reiterate our support for young farmers by supporting the 3rd edition of MBAG – a Management and Business in Agriculture Program dedicated to enriching the multidisciplinary expertise of entrepreneurs active in the field of agriculture. In this project, farmers learn from the most important companies in the field how to manage their farm as a profitable and most importantly in a sustainable way. In 2022, we launched the 2nd edition of the GreenFields Academy Program, dedicated to farmers who want to make the transition to sustainable agriculture. A total of 70 farmers attended the theoretical and practical sessions of both programs. In addition, the Bank supports Romanian farmers and the development of the rural area, by financing projects with European support.

Feedback from our SME clients helps us better understand their needs and offer them financial expertise suitable for each business. We will continue to listen with interest to the voice of our customers in 2023 and to constantly improve our products and services to successfully meet their expectations.

Treasury and Capital Markets

2022 was a challenging year in which the trend of increasing interest rates was accelerated, generated by the aggressive increase in inflation. The monetary policy rate increased from 1.75% to 7%. In this macroeconomic context, also corroborated with the military conflict in Ukraine, the yields of government bonds registered aggressive increases, being somewhat one step ahead of the monetary policy interest rate. The rate EUR/RON represented the pillar of stability, remaining below 4.95 and even appreciated in the second part of the year, when the high level of government bond yields attracted portfolio investors.

We continue to be relevant on the FX market, the money market and the government securities market, occupying the 6th place among the Primary Dealers for the issues organized by the Ministry of Finance. In this environment, Raiffeisen Bank's Capital Markets Directorate continues to have a transparent and solid relationship with all the Bank's clients. The team's efforts focused on solving the customers' needs, to ensure easy access to relevant products and services, through a new distribution model adapted to the current context.

In 2022, financial results reported for all products offered to Financial Institutions were above all expectations.

In this regard, we have created an area that deals directly with digitization, which we develop according to the feedback we receive from customers. The main objective is to provide easy access to trading infrastructure and competitive rates in real time. The efforts of the last few years have come to fruition with the launch of the R-Flex platform, which helps us to better meet the current and future needs of our clients when it comes to FX trading.

We continue to develop this new channel and aim to integrate it with the Bank's other systems to create a single ecosystem for our customers.

ECONOMIC AND EQUITY RESEARCH

The Economic and Sectorial Research Department provides analyses and reports on the main developments in the Romanian economy and financial market.

Macroeconomic research provides a comprehensive assessment of the most recent developments in the economy (with a focus on GDP, external sector, inflation rate, interest rates, exchange rate) and the outlook for the next period. Economic research is also performed for the key sectors of the economy (companies and households), aiming to identify the structural characteristics and their latest trends, as well as the potential represented by these sectors for banking activity. The macroeconomic research is carried out by a professional team, using quantitative techniques and available public and internal databases. Analyses of macroeconomic developments in Romania are delivered to Raiffeisen Bank's corporate clients as part of daily, monthly and quarterly reports (Romania – Daily Market Report, Romania – Macroeconomic Developments, Romania – Determinants of economic growth). The analyses regarding the Romanian economy are also included in the reports published by Raiffeisen Research Vienna and which offer a useful insight on both the past and potential dynamics of economic activity in the countries where Raiffeisen Bank International is present. In addition, economic and sectorial research is an important resource for the Bank's departments and business lines, providing support in making current and strategic decisions and in assessing the impact of risk scenarios.

The equity research products are distributed exclusively through Raiffeisen Research Vienna, ensuring an active coverage of the most important companies included in the Romanian BET index. The main objective is the support offered to institutional clients investing in the local capital market. Among key equity research products are company reports, containing analysts' assessments of the companies covered. To reach a target price and therefore an investment recommendation for the companies under coverage, equity analysts use fundamental analysis and other methods and techniques. To inform the investors, reports with relevant news are transmitted daily, before the start of the trading session, or at any time during the day when important events occur. The equity research team participates in various projects together with the Investment banking department but respecting the principles of independence and separation between corporate finance and research activities.

FINANCIAL INSTITUTIONS & GSS

All round the full year 2022, the Financial Institutions & Group Securities Service Directorate (FI&GSS) has continued its efforts and initiatives derived as part of the undertaken goal, to be the best business partner for its clients: commercial banks, investment banks, insurance companies, leasing companies (having a financial group as main shareholder), investment funds, pension funds, brokerage companies, financing companies (mortgage or consumer finance), supranationals, Payment Service Providers/Money Service Businesses.

In this context, the communication and support – granted as advisory services, both on topics related to macroeconomic evolution and expectations for the current year, the impact of the business environment on clients' growth, as well as aspects related to compliance framework or operational issues – have constituted our main priorities. The year 2022 also marked an acceleration of the migration efforts towards digital channels for our clients and simplified internal processes, with visible results in growing the satisfaction level of our customers as regards the Bank's offering of products and services.

In 2022, the main products used by our customers were: custody and fund administration (depository), term deposits, payments, trade finance, FX business, lending facilities. Lending to non-bank financial institutions significantly increased for 2022. The main objective for this period was the consolidation of the existing portfolio and support for our customers as well as new customer acquisition and/or extension of the range of products offered. Based on the excellent quality of our products and attached services, combined with Raiffeisen Bank's strong reputation on the local market, the number of banks that held settlement accounts with us, both in local and foreign currency, enlarged as of end-2022.

In terms of financial results for 2022, these were above all expectations reported for all products offered to Financial Institutions clients. Assets base at segment level has largely increased (almost double figure yoy) and in the same time liabilities grew for the same period (+17% yoy), both endorsing the trust of our customers in the partnership with our Bank. The final profitability result was significantly positive (almost double yoy), the main factors contributing to the result being the growth of deposits volume, increase of transactional volumes as regards payments and foreign exchange, high market rates on an increase path across entire year 2022.

SECURITIES SERVICES – GSS, CUSTODY AND DEPOSITARY

The Securities Services – GSS Department is the business line for custody services as well as for depositary services for investment and pension funds. The department is also responsible for special settlement services (as a clearing member of the central depository, Depozitarul Central), for the paying agent activity provided to the bond issuers and for payment and information agent services for external investment funds.

The value of the assets for which Raiffeisen Bank performs custody and depositary services was EUR 6.20 billion at the end of 2022, a slight increase compared to the value at the end of the previous year.

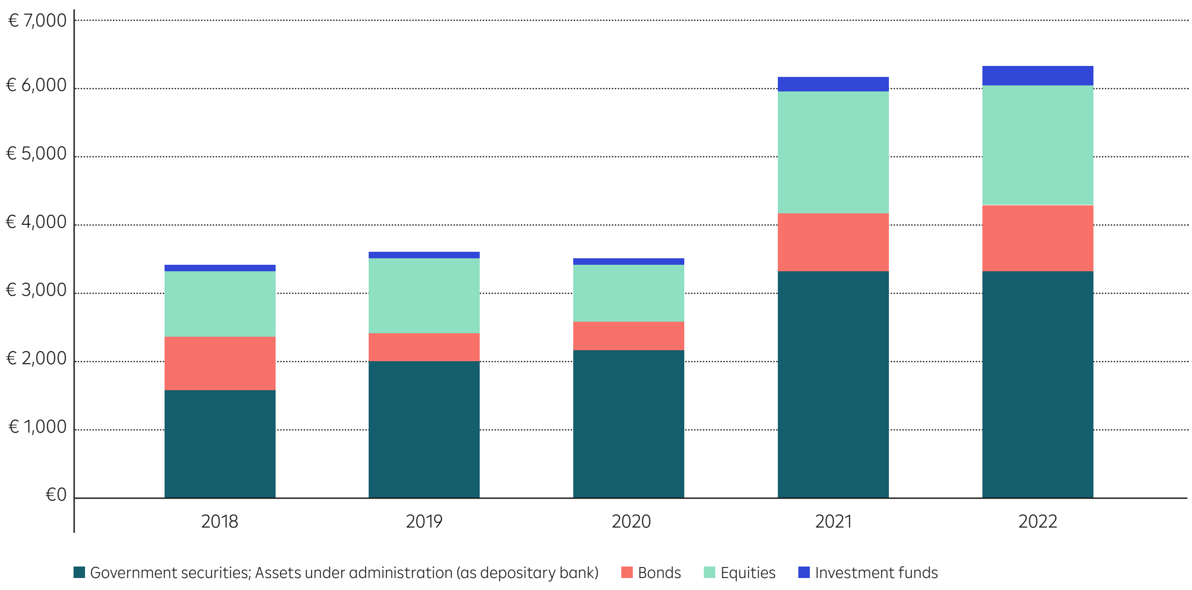
At the end of 2022, 44% of the assets of the custody and depositary clients consisted in listed stocks and bonds (EUR 2.75 billion); 51% (EUR 3.27 billion) from the total of custody and depositary clients' assets were represented by the government securities, while the rest was made of holdings in domestic or external funds units, money market instruments or unlisted securities.

At the same date, the assets of investment and pension funds for which the Bank performs depositary services summed up to EUR 3.90 billion.

The Securities Services – GSS Department acts as an enabler for the Bank's objective to be the preferred partner for investments. Our strategy aims at upgrading the infrastructure allowing our clients to acquire and maintain positions in local and external financial instruments by extending the digital communication channels.

Assets under custody and depositary contracts

2018-2022 (EUR millions)



TREASURY

The Treasury Directorate is responsible for the strategic management of the Bank's assets and liabilities. Its goal is ensuring a stable net interest income while maintaining a sustainable medium and long-term liquidity and capital position of the Bank. To this end, the Directorate is comprised of three interrelated teams: Asset and Liability Management (ALM), Liquidity Management, and Funding Management.

The Asset and Liability Management team is responsible for the dynamic balance sheet management through an ongoing process of formulating, implementing, monitoring the strategies for the Bank's balance sheet approved in the Asset and Liability Management Committee and overseen by the Management Board. The unit manages the strategic interest rate position, the main objective being to maximize the economic value of the banking book and to generate adequate and stable net interest income within the approved risk appetite boundaries.

The value of the liquidity buffer held by the Bank amounted to EUR 3,032 million in December 2022, the LCR value being close to 174%, significantly higher than the regulatory level.

The management of the balance sheet considers both the liquidity and interest rate perspective. It is performed by using an ever-growing and improving set of tools, including an effective system of internal funds transfer pricing, as well as a dedicated ALM application – Kamakura, for both liquidity and interest rate risk management. The internal funds transfer pricing system is based on market rates and is designed to allocate all costs and benefits to the business segments in a way that incentivizes the efficient use of liquidity. As part of the overall risk management framework, the assets and liabilities of the Bank are modeled and analyzed in order to adequately reflect the liquidity and interest rate risk profile of the Bank.

The Liquidity Management team is responsible for managing the liquidity in accordance with the strategy approved by the Asset and Liability Committee and overseen by the Management Board. The liquidity position is managed through a conservative strategy aimed at maintaining adequate long-term funding, within a stable deposit base to support the Bank's lending programs. The liquidity profile is maintained at a sufficient level that allows the Bank to respond to client needs and meet payment obligations both during normal economic activity and stress conditions. This includes potential currency mismatches, which are subject to risk limits.

The team ensures this objective by:

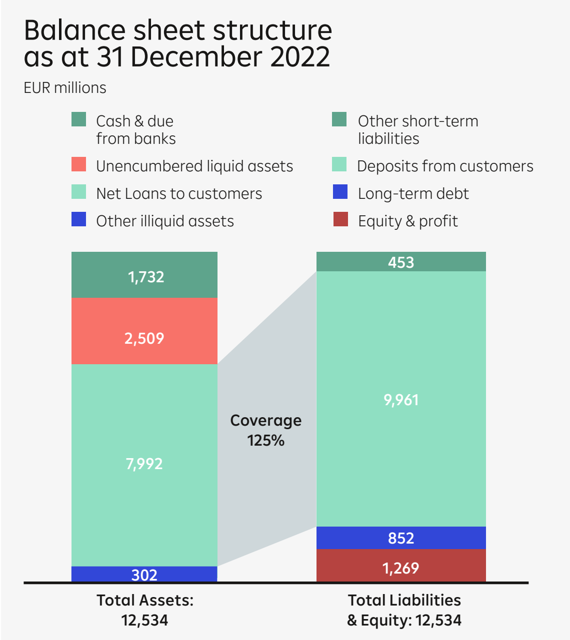
- Analyzing and understating the liquidity behavior of products and business segments;
- Monitoring and forecasting the liquidity position;
- Monitoring and forecasting the liquidity indicators;
- Maintaining optimum short-term liquidity, including intraday, for insuring Bank's ability to perform real time payments;
- Managing the portfolio of high-quality liquid assets (HQLA) as defined by the European and local regulations;
- Managing the investment portfolio;
- Compliance with the regulatory minimum reserve requirements.

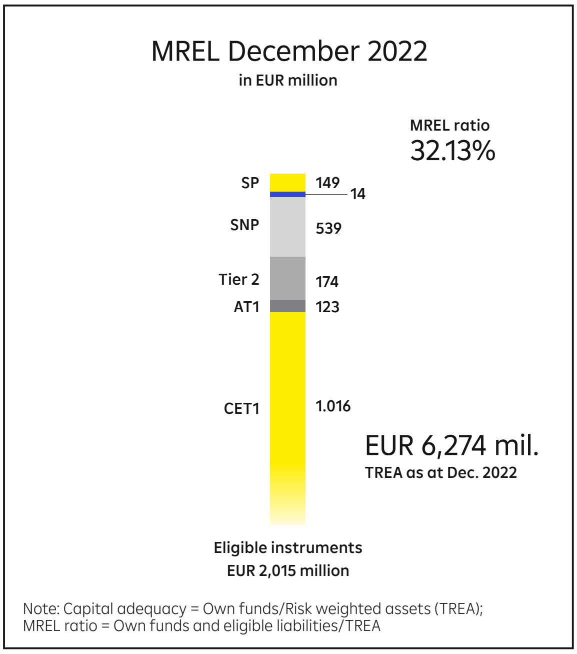
In order to ensure an adequate level of liquidity under stress conditions, the Bank maintains a liquidity reserve comprised of high-quality liquid assets (HQLA), including cash held at the Central Bank and bonds eligible as collateral for Central Bank liquidity facilities. By maintaining this reserve, the Bank ensures alignment with internal requirements and liquidity risk regulations for stress conditions.

Liquidity Coverage Ratio (LCR), the regulatory standard for stress conditions, aims to ensure sufficient liquid assets to meet stress-free liquidity needs for 30 days. According to regulatory requirements, the Bank has to maintain an LCR level above the minimum threshold of 100%. In the case of Raiffeisen Bank, the value of the liquidity buffer held by the Bank amounted to EUR 3,032 million in December 2022, the corresponding ratio being close to 174%, significantly higher than the regulatory level.

	December 2021	December 2022
High-quality Liquid Assets (EUR mn)	4,088	3,032
Net Outflows (EUR mn)	1,725	1,742
LCR value (%)	237%	174%

The Funding Management unit is responsible for the development, execution and regular updating of the Bank's funding plan. The funding plan reflects the projected business growth, development of the balance sheet, future funding needs and maturity profiles, as well as the effects of market changes and regulatory conditions, all within the context of the management of the Bank's capital structure. Furthermore, the Funding Management team is responsible for the coordination of the access and participation in the implementation of various programs developed by international financial institutions, supporting the lending activity of the business lines. This unit is also responsible for the management of the relationships with the external rating agencies.





Similar to the previous years, the balance sheet is funded primarily through core customer deposits, but also by long-term debt (senior loans, subordinated bonds/loans or senior preferred/senior non-preferred bonds), and capital instruments.

Funding sources are closely monitored, including in terms of concentration, both by currencies and maturities and in terms of the type of instrument.

The year 2022 was characterized by a strong liquidity position. The main funding source of the Bank is its strong customer deposit base, which represent 79% of the total liabilities as at 31 December 2022. A significant share of these deposits represents stable funding sources, being mainly financed through retail deposits (73% of total deposits).

During 2022, the Bank transformed the Green Bond Framework (GBF) published in 2021 into the Sustainability Bond Framework (SBF), in order to finance also eligible social projects that will support Romania's transition towards a sustainable and low carbon economy. The SBF has been positively assessed by the ESG rating agency Sustainalytics in terms of alignment with ICMA's Social, Green and Sustainability Bond Principles and the environmental impact of the eligible projects.

In this context, the Bank continued to issue green bonds in 2022 and for the first time for the local capital market, issued the first MREL eligible sustainability bonds. The use of proceeds from the sustainability bonds will be allocated at least 50% to eligible social projects in line with the categories defined in the Sustainability Bond Framework and the remaining towards green loans with a positive environmental impact. Through these issuances, the Bank has strengthened its own funds and eligible liabilities position, in line with the requirements set out by the EU Directive BRRD2, transposed into local legislation through law no. 320/2021 amending and supplementing law no. 312/2015 on the recovery and resolution of credit institutions and investment firms, thus creating the premises for a sustainable development of its loan portfolio. As at 31 December 2022, RBRO had outstanding 6 eligible green and sustainability bonds with a total volume of over RON 3.3 billion. Thus, the Bank further strengthened its MREL ratio to over 32%, a level significantly higher than the regulatory requirements applicable on 1 January 2023 (27.48%)

The instruments were initially listed on the Luxembourg Stock Exchange in the LGX – Luxembourg Green Exchange Platform section dedicated exclusively to green and sustainable bonds, and afterwards they were also listed on the regulated spot market of the Bucharest Stock Exchange.

The Bank has continued its successful partnership with the European Investment Fund (EIF). During 2022, RBRO entered into a synthetic securitization transaction with the European Investment Bank Group that will increase access to finance and strengthen the resilience of SMEs and MidCaps companies from Romania. The transaction covers a portfolio of non-retail loans worth RON 1,520 mn (EUR 308 mn). The securitized loan portfolio will remain on Raiffeisen Bank's balance-sheet and is split into a senior, mezzanine and junior risk position. Under the transaction, the credit risk of the mezzanine tranche is assumed by the European Investment Fund, while the credit risk of the senior and junior tranches is retained by Raiffeisen Bank. The transaction features a 3 year replenishment period, in which amortized loans can be replaced with new eligible exposures.

Currently, the Bank has 6 financing and guarantee agreements signed with EIF, and through these programs, the Bank can grant loans to SMEs on attractive terms, with reduced collateral requirements, for longer tenors, offering support to start-up companies, which usually have limited access to lending. In 2023, the Bank will implement new financial instruments made available under both National Recovery and Resilience Programme and EU Multiannual Financial Framework 2021-2027 in order to support sustainable financing across all the business segments.

Participations

Raiffeisen Group is present in Romania through its subsidiaries on different segments of the financial market: banking, investment fund management, leasing, and also the building societies segment.

S.A.I. RAIFFEISEN ASSET MANAGEMENT S.A.

The year 2022 turned out to be one of the most difficult years in history for investors. The geopolitical crisis, its impact on the global energy market and, last but not least, inflation, had a significant impact on the financial markets. Bond yields increased by up to 4pp in the United States or by up to 7pp in Romania. The impact on the investment performance of the funds managed by Raiffeisen Asset Management (RAM) was significant. The value of managed assets decreased by 42%, both as a result of the decrease in the unit value of the funds, as well as a result of redemptions, reaching EUR 690 million at the end of 2022. The market share dropped to 19%, RAM becoming the third fund manager by assets in Romania.

In this difficult context, recurring saving solutions or investing in steps represented a suitable solution for the moment. The SmartInvest investment plans also enjoyed high interest from investors this year. Denominated in EUR and RON, SmartInvest serves as a capital accumulation solution, which offers the possibility of obtaining higher returns than classic savings instruments (savings accounts or deposits), while ensuring efficient risk management.

The Raiffeisen Acumulare – Pension Fund continued to have a very good investment performance, even in this difficult context. In terms of long-term performance (5 and 10 years), Raiffeisen Acumulare is still the best performing fund in the medium risk category. This performance was also recognized by the participants, their number increasing in 2022 by 65%, up to approximately 26,000.

In 2022, together with the Raiffeisen Capital Management (RCM) team of professionals, we implemented, as a first in Romania, a master-feeder structure, through which we provide Raiffeisen customers with ESG solutions.

Sustainability was a key word in 2022, and RAM continued to propose relevant and innovative solutions to investors. Together with the Raiffeisen Capital Management (RCM) team of professionals, we implemented a master-feeder structure, through which we provide Raiffeisen clients with ESG solutions. It is a first in Romania, and the Sustainable Equity and Sustainable Mix funds, ESG type funds, are backed by the experience and professional recognition of the RCM team.

We continue our efforts to improve the product experience, both for investment funds and for pension funds. Starting with the end of 2022, Raiffeisen Bank's SmartMobile application offers the possibility to set the recurring contribution to the Raiffeisen Accumulation pension fund in a simple and handy way. We promise to come back with good news in this regard in 2023 as well.

RAIFFEISEN LEASING IFN S.A.

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 RON or EUR, offering fixed or variable interest finance for various types of projects and assets, such as vehicles or equipment. Raiffeisen Leasing offer is also available in the 291 Raiffeisen Bank agencies.

On 31 December 2022, Raiffeisen Leasing IFN S.A. had assets amounting EUR 246 million and a number of approximately 10,800 active contracts. The company consolidated its portfolio, confirming in 2022 the established strategic lines, registering a balanced structure in terms of customer segments and financed assets and an adequate risk management.

In 2022, Raiffeisen Leasing financed by 17% more new volumes compared to the previous year. The company continued to support economic activity by responding to the financial needs of clients through the promotion of programs and products for SMEs: COSME, SME Leasing, the financing of sustainable projects in the green sector (e.g. Photovoltaic panels).
The Raiffeisen Leasing offer remained in line with the current market conditions. The Raiffeisen Leasing portfolio performed well in a complicated macroeconomic environment (inflation, the energy crisis and the nearby military conflict).

Integrating ESG approach into Raiffeisen Leasing's business strategy, promoting together with the Bank new products and partnerships for "green" asset financing, with a positive environment impact, is part of Raiffeisen Leasing's goals for the coming years.

Raiffeisen Leasing's vision translates into "Leasing as it should be" slogan, which stands for 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 avoidding over-indebtedness, providing easy access to finance, through process efficiency and innovative leasing products.

AEDIFICIUM BANCA PENTRU LOCUINȚE S.A.

It was the first company in Romania promoting the savings-lending (known as Bauspar) system, founded in 2004. The Bauspar system for the housing sector has a social role, the main purpose being to encourage long-term savings and improve the housing situation in the country. Currently, the majority shareholder of ABL is Raiffeisen Bank S.A., which owns 99.99% of the share capital.

At the end of 2020, the High Court of Cassation and Justice issued a favorable decision to the Romanian Court of Accounts, by which ABL was obliged to immediately apply the measures regarding the conditions for granting the state premiums related to the savings-credit contracts, as per the report issued by the Court of Accounts following its audit in 2014.

In order to comply with the decisions of the Romanian Court of Accounts and the High Court of Cassation and Justice, ABL paid in 2022 the main obligation related to the state premiums in the amount of RON 114,889,001, subsequently requesting the relevant ministry the amnesty on tax accessories (interest and late payment penalties), according to the Emergency Ordinance no.69/2020. Currently, following the refusal of the relevant ministry to approve the tax amnesty of tax accessories, ABL has challenged in court, the dispute being still unresolved.

ABL maintains the decision of no new business, the current activity being focused on the management of the portfolio of savings-credit contracts in the housing field concluded until 2016.

At the end of 2022, Aedificium Banca pentru Locuințe S.A. had a share capital of RON 50.2 million and assets amounting to RON 107.5 million.

At the end of 2022, Raiffeisen Bank S.A. owned 33.33% of Fondul de Garantare a Creditului Rural IFN S.A.'s share capital, 33.33% of CIT ONE S.A.'s share capital, and also held equity investments in: Biroul de Credit S.A., Depozitarul Central S.A., Fondul Român de Garantare a Creditelor pentru Întreprinzătorii Privați IFN S.A., Visa Inc. and Societatea de Transfer de Fonduri și Decontări – TransFond S.A.

Consolidated and separate financial statements

Through the Framework for Sustainable Bonds, the Bank supports the transition to a sustainable economy allocating funds for green buildings (housing, logistics and storage spaces, office buildings and production units), renewable energy projects, ecological transport, pollution prevention and control projects, etc.

Statement regarding the responsibility for preparing the consolidated and separate financial statements at 31 December 2022

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 2022 and I confirm that:

a) Accounting policies used for preparing the consolidated and separate financial statements as of 31 December 2022 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 2022 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.

Alina Rus
Vice-president & Chief Financial Officer

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Raiffeisen Bank S.A.

REPORT ON THE AUDIT OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

Opinion

1. We have audited the separate and consolidated financial statements of Raiffeisen Bank S.A. (the "Bank") and its subsidiaries (together "the Group"), with registered office in 246C Calea Floreasca street, District 1, Bucharest, Romania, identified by the unique tax registration code RO 361820 which comprise the separate and consolidated statement of financial position as at December 31, 2022, and the separate and consolidated statement of comprehensive income, statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.

2. The financial statements as at December 31, 2022 are identified as follows:

Separate financial statements

- Equity 6,275,977 RON thousand
- Net profit for the financial year 1,234,695 RON thousand

Consolidated financial statements

- Equity 6,453,972 RON thousand
- Net profit for the financial year 1,256,230 RON thousand

3. In our opinion:

- the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as at December 31, 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and National Bank of Romania Order no. 27/2010 for the approval of Accounting regulation in accordance with International Financial Reporting Standards as adopted by the European Union, with subsequent amendments ("Order 27/2010").
- the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS and Order 27/2010.

Basis for Opinion

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

Key Audit Matters

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

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Nature of the area of focus	How our audit addressed the key audit matter
Collective impairment of loans and advances to customers	
The Group accounts for credit losses based on expected credit losses (ECL) in accordance with IFRS 9 – Financial instruments: for a period up to 12 month for credit exposures for which the credit risk did not increase significantly since origination and for credit life time for those with significant increase in credit risk, as detailed in impairment policy from Note 3(j) to the financial statements. As at 31 December 2022, the Group's key financial statements lines with significant impact from IFRS 9 requirements are Loans and advances to customers at amortized cost amounting to RON 39,851,569 thousand (net of the related impairment allowances amount to RON 1,336,542 thousand). The Group exercises significant judgement using different assumptions over both when and how much to record as impairment for loans and advances to customers. Since determination of appropriate impairment allowances for expected credit losses on loans and advances to customers requires use of complex models (generally dependent on IT elements) and significant judgement from the Management, process of measuring expected credit losses may be exposed to management bias. Because loans and advances to customers form a major portion of the Group's assets, and due to the significance of the Management professional judgments applied in classifying loans and advances to customers into various stages stipulated in IFRS 9 and determining related impairment requirements, this audit area is considered a key audit matter. Key areas of professional judgment exercised by the Management included: ■ the use of historic data in the process of determining risk parameters; ■ the interpretation of the requirements to determine receivables impairment under application of IFRS 9, which is reflected in the expected credit loss model; ■ assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customers; ■ timely identification of exposures with a significant increase in credit risk and credit impairment; ■ the assessment of the forward-looking information.	Based on our risk assessment and industry knowledge, with the support of our Credit risk experts, we have examined the impairment charges for loans receivables and evaluated the methodology applied as well as the key assumptions and source data used by the Management according to the description of the key audit matter. Our procedures included the following elements: 1) Testing of key controls in respect of: ■ quality assurance of the source data used in developing professional judgements and ECL related models; ■ timely identification of impairment triggers, including significant increase in credit risk; ■ debtors' financial performance assessment and estimation of future cash flow; ■ the governance processes in place for credit models, inputs and overlays, review of ECLs. 2) Obtaining and analysing the information to support the assumptions used in: ■ development of the models for computation of the key risk parameters (12 month Probability of default, Lifetime Probability of default and Loss Given Default), including performing procedures on the source data quality; ■ development of the expected credit loss models; ■ development and appropriateness of the stage allocation and criteria used for determination of significant increase in credit risk; ■ development of models to reflect the potential impact of future economic conditions in the ECL computation; For all of the above procedures, we involved credit risk specialists to review the ECL model development, forward-looking models and code to test whether these appropriately reflected the Group's policies and methodologies. ■ Verifying the accurate implementation of the ECL computation methodology into the IT computation systems, including: • test the general IT controls related to the data sources and computations of ECL; • assessment on a sample basis of the credit quality and stage allocation; • test on a sample basis the ECL computations. 3) Analysing the adequacy of significant ECL-related disclosures for compliance with the relevant IFRS requirements.

Deloitte.

Nature of the area of focus	How our audit addressed the key audit matter
Interest and Fee Income Recognition	
Refer to Note 8 and 9 of the separate and consolidated financial statements For the year ended 31 December 2022 the Group interest income represents KRON 2,912,115 and Group fee and commission income represents KRON 841,482, the main source being loans to customers. These are the main contributors to the operating income of the Group affecting the Group's profitability. While interest income is accrued over the expected life of the financial instrument using the effective interest rate, the recognition of fee income depends on the nature of the fees as follows: ■ fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income; ■ fees for services provided are recognized when service is provided and are presented as fee and commission income; ■ fees for the execution of an act are recognized when the act has been completed and are presented as fee and commission income. Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording, resulted in this matter being identified as a key audit matter.	We have tested the design and operating effectiveness of the key internal controls and focused on: ■ interest/fee data input on loans and advances to customers; ■ recording/changes of fees and interest rates data; ■ management oversight and control on interest and fee income results, including budget monitoring; ■ IT controls relating to access rights and change management of relevant automated controls, with the assistance of our IT specialists. We performed also the following procedures with regard to interest and fees revenue recognition: ■ We evaluated the accounting treatment in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standard. We have focused our testing on challenging the correct classification of: • fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate; • fees that are not identified as directly attributable to the financial instrument. ■ We assessed the completeness and accuracy of data used for the calculation of interest and fee income. ■ We evaluated the mathematical formula used for accruing the relevant income over expected life of the loan. ■ We have assessed the interest and fee income by building our own expectation on the revenue and compared with the actual results.

Other information – Administrator's Report

6. Management is responsible for preparation and presentation of the other information. The other information comprises the Administrator' report which includes the non-financial information declaration, but does not include the separate and consolidated financial statements and our auditors report thereon.

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

In connection with our audit of the separate and consolidated financial statements for the year ended 31 December 2022, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Deloitte.

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

a) The information included in the administrators' report for the financial year for which the separate and consolidated financial statements have been prepared are consistent, in all material respects, with these separate and consolidated financial statements;
a) The administrators' report has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no. 27/2010, articles 12-16 and articles 32-33.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the separate and consolidated financial statements prepared as at 31 December 2022, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

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

7. Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with Order 27/2010 and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

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

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

Deloitte.

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

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

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

Report on Other Legal and Regulatory Requirements

Requirements for audits of public interest entities
15. We have been appointed by the General Assembly of Shareholders dated 29 April 2020 to audit the separate and consolidated financial statements of Raiffeisen Bank S.A. for the financial year ended December 31, 2022. The uninterrupted total duration of our commitment is two years, covering the financial years ended 31 December 2021 until 31 December 2022.

We confirm that:
- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Bank that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the Group.
- No non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Irina Dobre.

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

We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 applicable to the separate and consolidated financial statements included in the annual financial report of Raiffeisen Bank S.A as presented in the digital files which contain the unique code 549300RFKNCOX56F8591 (the "digital files").

(I) Raiffeisen Bank S.A.'s Management Responsibility for the Digital files prepared in compliance with the ESEF
Raiffeisen Bank S.A.'s management is responsible for preparing digital files that comply with the ESEF. This responsibility includes:
- the design, implementation and maintenance of internal control relevant to the application of the ESEF
- he selection and application of appropriate iXBRL mark ups;
- ensuring consistency between the Digital Files and the separate and consolidated financial statements to be submitted in accordance with Order 27/2010;

Those charged with governance are responsible for overseeing the preparation of digital files that comply with the ESEF.

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

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

- obtaining an understanding of Raiffeisen Bank S.A.'s process for preparation of the digital files in accordance with ESEF , including relevant internal controls;
- reconciling the digital files including the marked up data with the audited separate and consolidated financial statements of Raiffeisen Bank S.A. to be submitted in accordance with Order 27/2010;
- evaluating if all financial statements contained in the separate and consolidated annual report have been prepared in a valid XHTML format;
- evaluating if the XBRL mark-ups, including the voluntary mark-ups, comply with ESEF requirements.

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

Conclusion

In our opinion, the separate and consolidated financial statements for the year ended 31 December 2022 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF Regulation.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the separate and consolidated financial statements. Our audit opinion relating to the separate and consolidated financial statements of Raiffeisen Bank S.A. for the year ended 31 December 2022 is set out in the *Report on the audit of financial statements section above*.

Irina Dobre, Audit Partner

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

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 3344

On behalf of:
DELOITTE AUDIT SRL
Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25
The Mark Building, 84-98 and 100-102 Calea Grivitei, 9th Floor,
District 1, Bucharest, Romania
28 March 2023

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

Consolidated and separate statement of comprehensive income for the year ended 31 December 2022

		GROUP		BANK	
In RON thousand	**Note**	**2022**	**2021**	**2022**	**2021**
Interest income		2,912,115	1,972,746	2,863,318	1,928,379
Interest expense		(511,762)	(178,376)	(507,624)	(173,818)
Net interest income	8	**2,400,353**	**1,794,370**	**2,355,694**	**1,754,561**
Fees and commissions income		841,482	821,227	797,626	770,801
Fees and commissions expense		(282,406)	(245,412)	(277,734)	(245,023)
Net fee and commission income	9	**559,076**	**575,815**	**519,892**	**525,778**
Net trading income	10	329,197	359,506	330,045	360,385
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	26	(38,335)	(13,352)	(37,853)	(13,178)
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income		(1,657)	2,693	0	2,693
Gains or (-) losses from hedge accounting, net	27	1,919	(1,911)	1,919	(1,911)
Other operating income	11	50,697	28,208	78,343	48,504
Operating income		**3,301,250**	**2,745,329**	**3,248,040**	**2,676,832**
Operating expenses	12	(895,923)	(949,707)	(876,614)	(870,708)
Personnel expenses	13	(771,857)	(642,862)	(738,249)	(613,789)
Impairment losses on financial assets	14	(147,381)	(108,137)	(174,920)	(183,563)
Share of gain from associates and joint ventures	25	648	2,824	0	0
Profit before income tax		**1,486,737**	**1,047,447**	**1,458,257**	**1,008,772**
Income tax expense	15,16	(230,507)	(228,895)	(223,562)	(220,312)
Net profit for the year		**1,256,230**	**818,552**	**1,234,695**	**788,460**
Items that may be reclassified subsequently to profit or loss					
Net gains (losses) on financial assets at fair value through other comprehensive income		(158,395)	(193,502)	(159,082)	(192,311)
Related tax for above positions		25,342	30,960	25,453	30,770
Items that may not be reclassified subsequently to profit or loss					
Actuarial gains or (-) losses on defined benefit pension plans		1,964	0	1,964	0
Fair value changes of the equity instruments at fair value through other comprehensive income		21,722	4,778	21,722	4,778
Related tax for above positions		(3,789)	(765)	(3,789)	(765)
Other comprehensive income for the year, net of income tax		**(113,156)**	**(158,529)**	**(113,732)**	**(157,528)**
Total comprehensive income for the year, net of income tax		**1,143,074**	**660,023**	**1,120,963**	**630,932**

The consolidated and separate statement of comprehensive income are to be read in conjunction with the notes 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 21 March 2023 and were signed on its behalf by:

Alina Rus
Vice-president & Chief Financial Officer

Monica Curea
Accounting Director

Consolidated and separate statement of financial position for the year ended 31 December 2022

		GROUP		BANK	
In RON thousand	**Note**	**2022**	**2021**	**2022**	**2021**
Assets					
Cash and cash with Central Bank	17	8,281,451	11,288,325	8,280,853	11,285,168
Loans and advances to banks at amortized cost	20	323,543	1,518,422	286,851	1,504,874
Derivative assets held for risk management	19	13,781	8,305	13,781	8,305
Trading assets	18	93,302	135,174	93,302	135,174
Financial assets mandatorily at fair value through profit or loss	26	184,458	257,908	170,413	243,382
Investment securities at fair value through other comprehensive income	22	3,105,398	3,660,744	3,095,506	3,563,816
Equity instruments at fair value through other comprehensive income	23	71,488	49,766	71,488	49,766
Investment in subsidiaries, associates and joint ventures	25	32,891	32,243	106,871	126,520
Loans and advances to customers at amortized cost	21	39,851,569	32,973,112	39,367,515	32,499,754
Derivatives asset – hedge accounting	27	8,355	0	8,355	0
Investment securities at amortized cost	24	9,200,854	8,550,464	9,129,802	8,414,355
Income tax receivable	15	74,015	74,336	73,849	73,849
Other assets	28	427,091	407,256	400,269	382,561
Deferred tax assets	29	93,235	50,591	89,715	47,229
Property, equipment and right-of-use assets	30	434,821	477,715	433,973	476,362
Intangible assets	31	393,504	349,100	390,206	346,310
Total assets		**62,589,756**	**59,833,461**	**62,012,749**	**59,157,425**
Liabilities					
Trading liabilities	18	27,715	20,861	27,715	20,861
Derivative liabilities held for risk management	19	5,860	3,268	5,860	3,268
Deposits from banks	32	578,106	357,562	578,106	357,562
Deposits from customers	33	49,233,568	49,702,577	49,281,318	49,641,409
Loans from banks and other financial institutions	34	390,285	345,077	3,943	8,611
Fair value changes of the hedged items – liability	27	11,398	3,466	11,398	3,466
Derivatives – hedge accounting	27	0	8,298	0	8,298
Current tax liabilities		20,991	37,837	20,509	36,732
Other liabilities	35	1,422,869	1,124,225	1,366,361	1,118,885
Debt securities issued	34	3,887,808	2,118,575	3,887,808	2,118,575
Subordinated liabilities	34	323,726	323,334	323,678	323,334
Provisions	36	233,402	433,582	230,076	317,509
Deferred tax liabilities		56	0	0	0
Total liabilities		**56,135,784**	**54,478,662**	**55,736,772**	**53,958,510**
Equity					
Share capital	37	1,200,000	1,200,000	1,200,000	1,200,000
Other equity instruments	38	609,440	238,599	609,440	238,599
Retained earnings		4,619,771	3,778,283	4,442,212	3,622,259
Other reserves	39	24,761	137,917	24,325	138,057
Total equity		**6,453,972**	**5,354,799**	**6,275,977**	**5,198,915**
Total liabilities and equity		**62,589,756**	**59,833,461**	**62,012,749**	**59,157,425**

The consolidated and separate statement of financial position is to be read in conjunction with the notes 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 21 March 2023 and were signed on its behalf by:

Alina Rus
Vicepreședinte & Director Financiar

Monica Curea
Director Contabilitate

Consolidated and separate statement of changes in equity for the year ended 31 December 2022

Group

In RON thousand	Share capital	Other equity instruments	Other reserves	Other reserves	Total
Balance at 1 January 2021	**1,200,000**	**238,599**	**296,446**	**3,768,499**	**5,503,544**
Net profit for the year	–	–	–	818,552	818,552
Other comprehensive income, net of income tax	–	–	(158,529)	–	(158,529)
Total comprehensive income for the period, net of income tax	**–**	**–**	**(158,529)**	**818,552**	**660,023**
Distribution related to AT1 instruments	–	–	–	(18,808)	(18,808)
Distribution of dividends	–	–	–	(789,960)	(789,960)
Balance at 31 December 2021	**1,200,000**	**238,599**	**137,917**	**3,778,283**	**5,354,799**
Balance at 1 January 2022	**1,200,000**	**238,599**	**137,917**	**3,778,283**	**5,354,799**
Issue additional Tier 1 instrument	–	370,841	–	–	370,841
Net profit for the year	–	–	–	1,256,230	1,256,230
Other comprehensive income, net of income tax	–	–	(113,156)	–	(113,156)
Total comprehensive income for the period, net of income tax	**–**	**–**	**(113,156)**	**1,256,230**	**1,143,074**
Distribution related to AT1 instruments	–	–	–	(18,742)	(18,742)
Distribution of dividends	–	–	–	(396,000)	(396,000)
Balance at 31 December 2022	**1,200,000**	**609,440**	**24,761**	**4,619,771**	**6,453,972**

Bank

In RON thousand	Share capital	Other equity instruments	Other reserves	Other reserves	Total
Balance at 1 January 2021	**1,200,000**	**238,599**	**295,585**	**3,642,567**	**5,376,751**
Net profit for the year	–	–	–	788,460	788,460
Other comprehensive income, net of income tax	–	–	(157,528)	–	(157,528)
Total comprehensive income for the period, net of income tax	**–**	**–**	**(157,528)**	**788,460**	**630,932**
Distribution related to AT1 instruments	–	–	–	(18,808)	(18,808)
Distribution of dividends	–	–	–	(789,960)	(789,960)
Balance at 31 December 2021	**1,200,000**	**238,599**	**138,057**	**3,622,259**	**5,198,915**
Balance at 1 January 2022	1,200,000	238,599	138,057	3,622,259	5,198,915
Issue additional Tier 1 instrument	–	370,841	–	–	370,841
Net profit for the year	–	–	–	1,234,695	1,234,695
Other comprehensive income, net of income tax	–	–	(113,732)	–	(113,732)
Total comprehensive income for the period, net of income tax	**–**	**–**	**(113,732)**	**1,234,695**	**1,120,963**
Distribution related to AT1 instruments	–	–	–	(18,742)	(18,742)
Distribution of dividends	–	–	–	(396,000)	(396,000)
Balance at 31 December 2022	**1,200,000**	**609,440**	**24,325**	**4,442,212**	**6,275,977**

The consolidated and separate statement of changes in shareholders' equity is to be read in conjunction with the notes 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 21 March 2023 and were signed on its behalf by:

Alina Rus
Vice-president & Chief Financial Officer

Monica Curea
Accounting Director

Consolidated and separate statement of cash flows for the year ended 31 December 2022

		GROUP		BANK	
In RON thousand	**Note**	**2022**	**2021**	**2022**	**2021**
Cash flows from operating activities					
Net profit for the year		1,256,230	818,552	1,234,695	788,460
Adjustments for non-cash items:					
Depreciation and amortization	12	259,127	228,248	257,042	225,293
Net impairment loss on financial assets (release from recoveries is not included)	14	269,857	143,877	296,774	218,848
Group share of gain from associates and joint ventures	25	(648)	(2,824)	–	–
Loss on the sale of property, plant and equipment and of intangible assets		1,173	3,224	1,288	4,252
Net charge of provisions for litigation and other provisions	11,12	(15,341)	95,387	(17,420)	36,669
Income tax expense	15,16	230,507	228,895	223,562	220,312
Net gains on non-trading financial assets mandatorily at fair value through profit or loss	26	38,335	13,352	37,853	13,178
Other fair value adjustments		(2,884)	(20,279)	(2,884)	(20,279)
Net interest income	8	(2,400,353)	(1,794,370)	(2,355,694)	(1,754,561)
Unrealized foreign exchange losses		(8,767)	7,414	(8,766)	7,414
Income from dividends	11	(2,180)	(1,481)	(28,942)	(23,234)
Operating profit before changes in operating assets and liabilities		**(374,944)**	**(280,005)**	**(362,492)**	**(283,648)**
Change in operating assets:					
(Increase)/Decrease in trading assets and derivatives held for risk management		41,872	219,097	41,872	219,097
(Increase)/Decrease in loans and advances to banks at amortized cost		(145,084)	137,099	(145,202)	137,164
(Increase)/Decrease in loans and advances to customers at amortized cost and at fair value through profit or loss		(7,139,992)	(4,258,965)	(7,128,941)	(4,341,688)
(Increase)/Decrease in investment securities at fair value through other comprehensive income		399,797	(639,029)	312,185	(602,744)
(Increase)/Decrease in investment securities at amortized cost		(776,164)	(2,471,321)	(841,221)	(2,518,316)
(Increase)/Decrease in other assets		(216,279)	(133,823)	(99,326)	(131,298)
Proceeds from sale of loans and recoveries from write-offs	14	122,476	35,740	121,854	35,285
Change in operating liabilities:					
Increase/(Decrease) in trading liabilities		6,854	(2,532)	6,854	(2,532)
Increase/(Decrease) in deposits from banks		220,544	19,099	220,544	19,099
Increase/(Decrease) in deposits from customers		(494,838)	6,156,404	(385,920)	6,253,341
Increase/(Decrease) in other liabilities		326,262	268,816	275,094	274,796
Taxation paid		(267,956)	(110,080)	(260,607)	(103,581)
Interest paid		(436,687)	(155,548)	(432,598)	(150,990)
Interest received		2,951,567	1,962,130	2,902,770	1,917,763
Cash flows from operating activities		**(5,782,572)**	**747,082**	**(5,775,134)**	**721,748**
Investing activities:					
Proceeds from sale of property, plant and equipment		1,251	1,536	1,251	1,536
Acquisition of property, plant and equipment	30	(68,255)	(38,061)	(67,855)	(37,884)
Acquisition of intangible assets	31	(132,844)	(115,114)	(131,271)	(115,093)
Acquisition of investment in subsidiaries	25	–	–	(7,000)	(89,999)
Proceeds from sale of equity investments		–	(2)	–	(2)
Dividends received		2,180	1,481	28,942	23,234
Cash flows used in investing activities		**(197,668)**	**(150,160)**	**(175,933)**	**(218,208)**

to be continued on next page

Consolidated and separate statement of cash flows for the year ended 31 December 2022

		GROUP		BANK	
In RON thousand	Note	2022	2021	2022	2021
Financing activities					
Cash from loans from banks and subordinated liabilities		173,984	73,041	–	–
Proceeds from debt securities issued		1,720,425	1,608,076	1,720,425	1,608,076
Repayments of loans from banks and subordinated liabilities		(128,776)	(259,104)	(4,668)	(108,008)
Proceeds from issue of additional Tier I instruments		370,841	–	370,841	–
Dividends paid	37	(396,000)	(789,960)	(396,000)	(789,960)
Distribution related to AT1 instruments	37	(18,742)	(18,808)	(18,742)	(18,808)
Repayment of principal portion of lease liability	30	(88,329)	(92,579)	(88,329)	(92,579)
Cash flow from financing activities		**1,633,403**	**520,666**	**1,583,527**	**598,721**
Net increase/(decrease) in cash and cash equivalents		(4,346,837)	1,117,588	(4,367,540)	1,102,261
Cash and cash equivalents at 1 January		**12,751,338**	**11,633,750**	**12,722,651**	**11,620,390**
Cash and cash equivalents at 31 December		**8,404,501**	**12,751,338**	**8,355,111**	**12,722,651**

Analysis of cash and cash equivalents

		GROUP		BANK	
In RON thousand	Note	2022	2021	2022	2021
Cash and cash equivalents comprise:					
Cash on hand		1,552,804	3,998,142	1,552,206	3,994,985
Cash with Central Bank		6,728,647	7,290,183	6,728,647	7,290,183
	17	**8,281,451**	**11,288,325**	**8,280,853**	**11,285,168**
Loans and advances to banks – less than 3 months		123,050	1,463,013	74,258	1,437,483
Cash and cash equivalents in the cash flow statement		**8,404,501**	**12,751,338**	**8,355,111**	**12,722,651**

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

Consolidated and separate statement of cash flows for the year ended 31 December 2022

Analysis of the changes in financing during the year
Reconciliation of movements of liabilities to cash flows arising from financing activities

Group

In RON thousand	Debt securities issued	Loans from Banks and Subordinated liabilities	Lease liabilities (Note 30)	Share capital	Other equity instruments	Retained earnings	Other reserves	Total
Balance at 1 January 2022	**2,118,575**	**668,411**	**286,074**	**1,200,000**	**238,599**	**3,778,283**	**137,917**	**8,427,859**
Changes from financing cash flows								
Proceeds from issue of debt securities and Additional Tier 1 instrument	1,720,425	–	–	–	370,841	–	–	2,091,266
Repayment of debt securities	–	–	–	–	–	–	–	–
Cash from loans from banks and subordinated liabilities	–	173,984	–	–	–	–	–	173,984
Repayments of loans from banks and subordinated liabilities	–	(128,776)	–	–	–	–	–	(128,776)
Payment of lease liability	–	–	(88,329)	–	–	–	–	(88,329)
Proceeds from exercise of share options	–	–	–	–	–	–	–	–
Dividends and coupon on equity instruments paid	–	–	–	–	–	(414,742)	–	(414,742)
Total changes from financing cash flows	**1,720,425**	**45,208**	**(88,329)**	**–**	**370,841**	**(414,742)**	**–**	**1,633,403**
Changes in Fair value	–	–	–	–	–	–	(134,709)	(134,709)
Other changes	–	–	59,047	–	–	1,256,230	21,553	1,336,830
Liability-related								
Interest expense	153,776	13,666	2,166	–	–	–	–	169,608
Interest paid	(104,968)	(17,419)	(1,711)	–	–	–	–	(124,098)
The effect of changes in foreign exchange rates	–	4,145	2,044	–	–	–	–	6,189
Balance at 31 December 2022	**3,887,808**	**714,011**	**259,291**	**1,200,000**	**609,440**	**4,619,771**	**24,761**	**11,315,082**

Bank

In RON thousand	Debt securities issued	Loans from Banks and Subordinated liabilities	*Lease liabilities (Note 30)*	Share capital	Other equity instruments	Retained earnings	Other reserves	Total
Balance at 1 January 2022	**2,118,575**	**331,945**	**286,074**	**1,200,000**	**238,599**	**3,622,259**	**138,057**	**7,935,509**
Changes from financing cash flows								
Proceeds from issue of debt securities	1,720,425	–	–	–	370,841	–	–	2,091,266
Repayment of debt securities	–	–	–	–	–	–	–	–
Cash from loans from banks and subordinated liabilities	–	–	–	–	–	–	–	–
Repayments of loans from banks and subordinated liabilities	–	(4,668)	–	–	–	–	–	(4,668)
Payment of lease liability	–	–	(88,329)	–	–	–	–	(88,329)
Proceeds from exercise of share options	–	–	–	–	–	–	–	–
Dividends and coupon on equity instruments paid	–	–	–	–	–	(414,742)	–	(414,742)
Total changes from financing cash flows	**1,720,425**	**(4,668)**	**(88,329)**	**–**	**370,841**	**(414,742)**	**–**	**1,583,527**
Changes in fair value	–	–	–	–	–	–	(135,396)	(135,396)
Other changes	–	–	59,077	–	–	1,234,695	21,664	1,315,436
Liability-related								
Interest expense	153,776	13,666	2,166	–	–	–	–	169,608
Interest paid	(104,968)	(13,277)	(1,711)	–	–	–	–	(119,956)
The effect of changes in foreign exchange rates	–	(45)	1,687	–	–	–	–	1,642
Balance at 31 December 2022	**3,887,808**	**327,621**	**258,964**	**1,200,000**	**609,440**	**4,442,212**	**24,325**	**10,750,370**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

1. REPORTING ENTITY

Raiffeisen Bank SA (the "Bank") started its operations on 1 July 2002 upon the merger by acquisition of Raiffeisen Bank Romania by Banca Agricolă 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 financial statements of the Bank for the year ended 31 December 2022 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, home saving loan services and asset management services. The Group operates through the Head Office located in Bucharest and through its network of 291 branches as at 31.12.2022 (2021: 300 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, 2022 are as follows:

- Johann Strobl – Chairman
- Hannes Mösenbacher – Deputy Chairman
- Andreas Gschwenter – Member
- Peter Lennkh – Member
- Ana Maria Mihăescu – Independent Member
- Lukasz Janusz Januszewski – Member
- Andrii Stepanenko – Member
- Pedro Miguel Weiss – Independent Member
- Claudia Patricia Pendred – Independent Member

The structure of the Management Board as of December 31, 2022 is as follows:

- Zdenek Romanek – President
- Cristian Sporiş – Vice-president, coordinating the Corporate 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 Markets, Investment Banking and Personal Financial Planning Division
- Alina Rus – 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 Aedificium Banca pentru Locuințe S.A. 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

b) Basis of measurement

The accounting policies adopted are consistent with those of the previous financial year.

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 environment 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*.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Bank. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Bank holds:
- 99.99% (2021: 99.99%) interest and voting rights in Raiffeisen Leasing IFN S.A.;
- 99.99% (2021: 99.99%) interest and voting rights in Aedificium Banca pentru Locuințe S.A.
- 99.99% (2021: 99.99%) investment and voting rights in Raiffeisen Asset Management S.A., whose main activity is funds administration.

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

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 RON or EUR, offering fixed or variable interest finance for various types of projects and assets, such as vehicles and equipment. Raiffeisen Leasing offer is also available in Raiffeisen Bank network units.

Aedificium Banca pentru Locuințe S.A. offers a product denominated in RON that is based on the combination of the saving and the lending phase (Bauspar) and offers to customers the financing of housing domain improvements by affordable RON denominated loans with fixed interest rates.

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

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The accounting policy of the Bank regarding its subsidiaries is cost less impairment. The Bank is performing impairment analysis for all its subsidiaries at each reporting period, including December 31, 2021.

(ii) Associates
The Bank holds :

- 33.33% (2021: 33.33%) interest in Fondul de Garantare a Creditului Rural – IFN S.A.
- 33.33% (2021: 33.33%%) 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 with 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.

(iii) 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.

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. 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 amortized 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 amortized cost of the financial asset. 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 amortized 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 amortized 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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.

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

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services (IFRS 15.2).

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations.

Fee and commission income from services where performance obligations are satisfied over time
Performance obligations satisfied over time include services where the customer simultaneously receives and consumes the benefits provided by the Bank as the Bank performs [IFRS 15.35 (a)]. In these cases, the customer obtains control of the Bank's output as the Bank performs.

Type of service	Nature and timing of satisfaction of performance obligations	Revenue recognition policies under IFRS 15
Banking services	Fees charged by the Bank for ongoing management of current accounts, fees charged for servicing loans, provision of overdraft facilities and servicing fees are charged to the customer's account on a monthly basis.	Revenue from account service and administration fees is recognized over time as the services are provided.
Cards additional features	Some types of cards include some additional features that provide clients with access to certain locations or to certain services for which they pay. The Bank grants the customer with access to a series of services which can be used by the client simultaneously over the period of the contract.	Revenue is recognized over time as the services are provided.
Commitment fees	Commitment fees received to originate a loan, when it is probable that the Bank will enter into a specific lending arrangement, are recognized as revenue on expiry if the commitment expires without the Bank granting the loan.	Revenue is recognized over time as the services are provided.
Commissions from insurance premium collection	The Bank intermediates the insurance services between the Insurer and the Client and provides the automatic payment of the insurance premium from client account.	Revenue is recognized over time as the services are provided.
Investment banking	The Bank earns fees for depository activities and safekeeping of the client assets, intermediation service and custody service regarding the securities that the client is eligible to trade through the Bank and investment advisory service regarding the financial assets indicated by the Client.	Revenue is recognized over time as the services are provided.
Asset management services	Fees for asset management services are calculated based on the value of assets under management and charged on a monthly basis.	Revenue is recognized over time as the services are provided.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Fee and commission income from providing services where performance obligations are satisfied at a point in time
Services provided where the Bank's performance obligations are satisfied at a point in time are recognized once control of the services is transferred to the customer, where control also means the ability to prevent others from directing the use of, and receiving the benefit from, a good or service (IFRS 15.38). The fees earned in exchange for these services are recognized at the point in time, when the transaction is completed, because the customer only receives the benefits of the Bank's performance upon successful completion of the underlying transaction. The Bank is only entitled to the fee on the completion of the transaction (IFRS 15.117). The Bank has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

Type of service	Nature and timing of satisfaction of performance obligations	Revenue recognition policies under IFRS 15
Payments and electronic banking	The fees charged by the Bank for processing payments and incomings instructed by clients through various channels (paper-based or electronic). Fees related to these services can be typically account transaction fees: money transfer fees, direct debit fees, transaction-based fees charged by the Bank for interchange, foreign currency transactions and overdrafts, and are charged to the customer's account when the transaction takes place.	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Cash services	The Bank earns fees for cash withdrawals from current account at bank cashier or from the ATM/MFM, cash deposits at bank cashier, money transfers with international coverage. The commissions related to cash operations are automatically withhold at the time of settlement of the transaction.	Revenue is recognized at the point in time when the transaction takes place.
Revenue related to transactions	Loan syndication fees charged by the Bank, in those situations where they are clearly to be regarded as service fees from syndicated transactions, because of their economic substance, meaning the Bank does not retain any part of the loan package for itself.	Revenue is recognized at the point in time when the transaction takes place.
Fees and commission related to the issued bank cards	In case of transaction-based fees (e.g., cash withdrawal/payment fee, merchant fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount. Bank fees related to credit/debit card operating services are charged from the current account at the date of transaction.	Revenue is recognized at the point in time when the transaction takes place.
Interchange fees	The services are related to card processing services (i.e., authorization and settlement of transactions executed with the Bank's cards) where it is entitled to an interchange fee for each transaction. The fees vary based on the number of transactions processed and the allocated revenue is recognized when the transaction takes places or on a monthly basis.	Revenue is recognized at the point in time when the transaction takes place.
Custody services	The Bank earns fees for depository activities and safekeeping of the client assets, intermediation service and custody service regarding the securities that the client is eligible to trade through the Bank and investment advisory service regarding the financial assets indicated by the Client.	Revenue is recognized at the point in time when the transaction takes place.
Investment banking	Consultancy services provided by the Bank to Corporate clients for differens purposes: issues of bonds; loans agreements, etc. Amounts is variable, it depends on % established on each individual contract.	Revenue is recognized at the point in time when the transaction takes place.
Comission for financial guarantees	Comissions for granting, servicing of LC/LG commitments.	Revenue is recognized at the point in time when the transaction takes place.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 through profit or loss statement when the right to receive the income is established. Usually, this is the ex-dividend date for equity securities. Dividends from equities, subsidiaries not fully consolidated and associates not valued at equity are reflected as a component of other operating income in statement of comprehensive income.

Tax on received 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.

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 recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Lease liabilities are presented in statement of financial position under "Other liabilities".
At the commencement date of the lease, the Group recognizes 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.

The lease liability is measured on an ongoing basis similarly to other financial liabilities, using an effective interest method, so that the carrying amount of the lease liability is measured on an amortized cost basis and the interest expense is allocated over the lease term. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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.

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 classification categories for financial assets are:

a) Amortized cost;
b) Fair value through other comprehensive income (FVOCI);
c) Fair value through profit or loss (FVTPL).

a) Amortized 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

- Fair value through other comprehensive income (FVOCI) with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses on profit or loss on derecognition.

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 amortized cost or FVOCI – are classified as subsequently measured at fair value, with changes in fair value recognized 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 recognizing 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 recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

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 unfavorable 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 recognized 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 derecognized (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 amortized cost or at FVTPL 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 amortized 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:

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

(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 amortized 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:

a) Hold-to-collect
Financial assets in a hold-to-collect business model are managed to realize 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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.

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.

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.

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 realizing cash flows through the sale of the financial assets in order to realize fair value changes arising from changes in credit spreads and yield curves. This results in active buying and selling and managing the instruments to realize 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.

(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);
- 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

(iv) Financial assets and liabilities

Loans and advances to banks, loans and advances to customers, financial investments at amortized cost
The Bank only measures loans to banks, loans and advances to customers and other financial investments at amortized 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.

Derivatives
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 recognized 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.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized 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 recognized in OCI are reclassified from OCI to profit or loss.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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. This decision is made on an investment-by-investment basis for each investment and essentially covers strategic investments that are not fully consolidated.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized 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 amortized cost. Amortized 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 FVTPL 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 recognizing gains or losses on them on a different basis;
- The liabilities 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 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 FVTPL 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 FVTPL 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.

Dividend income from equity instruments measured at FVTPL 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 recognized 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 recognized less cumulative amortization recognized in the income statement, and an ECL provision.

The premium received is recognized 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

(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 recognize a POCI asset if the client is in default at the initial recognition date;
- At the initial recognition date the exposure needs to be recognized 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 recognized to the extent of the entity's continuing involvement.

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 collateralized borrowing if the transfer does not satisfy the conditions for derecognition. When assessing whether or not to derecognize 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.

Modification of financial assets
A financial asset is derecognized on account of a modification if the underlying contract is modified substantially. In accordance with Group policies, terms are substantially modified if the discounted present value of the cash flows under the new terms using the original effective interest rate differs by at least 10 per cent from the discounted present value of the remaining cash flows of the original financial asset (present value test). In addition to the present value test further quantitative and qualitative criteria are considered in order to assess whether a substantial modification applies. The other quantitative criteria primarily consider the extension of the average remaining term. Stage 3 loans are often restructured to match the maximum expected payments from the customer. If this is the case, then additional judgment is required to determine whether the contractual change is a new instrument in economic terms. The Group has defined qualitative criteria for a significant change in the terms of the contract as a change in the underlying currency and also the introduction of clauses that would normally cause the contractual cash flow criteria according to IFRS 9 to fail, or a change in the type of instrument (e.g. a bond is converted to a loan).

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

(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 with a forward-looking ECL approach. Bank is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, 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). 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: essentially includes all financial instruments whose credit default risk has not significantly increased since their initial recognition. On initial recognition of loans, the Bank records an impairment in the amount of the expected twelve-month loss. Stage 1 also includes loans where the credit risk improved and which have thus been reclassified from Stage 2;
- Stage 2: financial instruments whose credit risk has significantly increased since their initial recognition and which, as at the reporting date, are not classified as transactions with limited credit risk. Impairments in Stage 2 are recognized in the amount of the financial instrument's lifetime expected credit loss. Stage 2 also includes loans where the credit risk improved and which have thus been reclassified from Stage 3;
- Stage 3: includes financial instruments which are classified as impaired as at the reporting date. Group's criterion for this classification is the definition of a default. The expected credit loss over the entire remaining lifetime of the financial instrument is also to be used as the basis for recognizing impairment of Stage 3 loans in default;
- POCI: Purchased or originated credit-impaired assets are financial assets which were already impaired at the time of initial recognition. On initial recognition, the asset is recorded at fair value without any impairment, using an effective interest rate that is adjusted for creditworthiness. The impairment recognized in subsequent periods equals the cumulative change in the lifetime expected credit loss of the financial instrument since the initial recognition in the statement of financial position. This remains the basis for measurement, even if the value of the financial instrument has risen.

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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The measurement of the expected credit loss allowance for financial assets measured at amortized 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 behavior. Significant judgments 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 fulfill 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.

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 committies, 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 amortizing 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

- 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 realization 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;
  - 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 judgment 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 summarized 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 recognizes the lifetime expected credit losses for these loans.

Non-retail:
As general rule, IFRS 9 requires the usage of several cash flows scenarios (undergoing concern and/or gone concern strategy) for NPV assessment within the stage 3 provisions calculation. For the exposures where previously stage 3 provisions were not allocated and where following the assessment of impairment triggers a loss event occurs, a NPV test has to be performed for these exposures to measure the quantity of the loss. Several scenarios can be used for assessment and computation of stage 3 provisions, nevertheless minimum two scenarios shall be applied, of which one scenario must be a gone concern scenario. Probabilities for each scenario have to be assigned according to the likelihood of each scenario. Several scenarios can be used for assessment and computation of stage 3 provisions, nevertheless minimum. two scenarios shall be applied, of which one scenario must be a gone concern scenario. Probabilities for each scenario have to be assigned according to the likelihood of each scenario.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

For going concern scenario, the main source of recovery is the cash flow resulted from company activity (backed by financial statements, forecasts, etc.) and additional sources if documented/plausible (voluntary sale of non-core assets, refinancing, etc.). For gone concern scenario, realization of collateral is the main source of cash flows (based on internally adjusted value of the collateral and deducting the expected realization costs); no operating cash flows is considered.

If a financial instrument was credit impaired at initial recognition (POCI), the ECLs must be discounted using a credit adjusted effective interest rate determined at initial recognition (CAEIR).

Retail:
For Retail exposures, the Bank calculates the ECL using the Best Estimate of Expected Loss (BEEL) model applied on exposure at calculation (ECL = Exposure x BEEL).

BEEL models take into account historic recoveries for defaulted accounts (cash recoveries, collateral realization or other forms of recoveries).

- POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes 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 recognized within Provisions;
- Financial guarantee contracts. The Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized 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 recognized within Provisions *(Note 3 t)*.

Debt instruments measured at fair value through FVOCI
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 amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized 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 recognizes the cumulative changes in ECL 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 of up to 250% in the initial PD although this amount can be lower due to several limiting factors such as closeness to maturity and portfolios of products.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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. However, the Group is constantly monitoring on portfolio level what is the appropriate level and adjust if there is clear evidence that a different value is better reflecting the significant increase in risk.

- Qualitative criteria

  The Group uses qualitative criteria in addition to quantitative criteria to recognise a 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:
  - Detection of first signs of credit deterioration in the early warning system;
  - External risk factors with potentially significant impact on the client's repayment ability;
  - Changes in contract terms as a forbearance measure;
  - 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.

  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 judgment.

  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.

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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 judgment, 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.

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

- Non-retail portfolios
  - Gross domestic product;
  - Interest 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 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 assessed 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
In case the Bank does not have reasonable expectations for the recovery of its financial assets, these are written off and monitored from off-balance. The Bank keeps its contractual rights over its financial assets, but from economic perspective there is no reasonable expectations of further recovery. Write-off takes place after the assets have been fully provisioned, this representing a derecognition event.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

k) Hedge accounting

The Group has elected, 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.

At inception, the Group formally documents how the hedging relationship meets the hedge accounting criteria, 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. 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 labor, 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.

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.

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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.

o) Leased assets

Lessee: The Group recognizes 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 measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, 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 in statement of financial position under "Property, equipment and right-of-use assets" and 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 contracts 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 favorable change in the estimates used to determine the recoverable amount.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 42*). 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 benefits are employee benefits (other than termination benefits) that are expected to be paid in full within twelve months from the annual reporting period in which the employees provide the service in question.
The short-term benefits of the employees include: indemnities, salaries, social security contribution. These are recognized as expenses as the services are provided.
Both the Bank and its employees are obliged by law to contribute to social security contribution, through the National Pension Fund managed by the National House of Pensions and Social Insurance in Romania (a contribution plan financed on the basis of withholding taxes). The Group and the Bank have no legal or implied obligation to pay future benefits. The only obligation of the Bank is to pay the contributions when they become due.

If the members insured under the Social Insurance and Pensions plan cease to be employees of the Group or its subsidiaries, the Group has no obligation to pay them the benefits which were paid during the years in which they were employed. The contributions of the Group and of the Bank are recorded in the expense accounts regarding the salaries and assimilated expenses.

A provision is recognized for amounts expected to be paid as short-term cash premiums or profit-sharing schemes for staff when the Group has a legal or constructive obligation to pay those sums as a result of past services provided by employees and whether that obligation can be reliably estimated.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Post-employment benefits
Post-employment benefits are employee benefits (other than termination benefits or short-term benefits) that are payable after the end of the employment contract.

Post-employment benefit plans are classified either as defined contribution plans or as defined benefit plans, depending on the economic substance of the plan, as arising from its main terms and conditions.

- Defined benefit plans

  In case of retirement, the Bank offers to the respective employees a number of salaries, depending on the service period. This obligation is foreseen in the collective labor contract. The Bank's net obligation regarding the defined benefit plan represents the sum of the future benefits that the employees have earned in exchange for their activity in the current period as well as in previous periods. None of these benefits is financed through an asset plan.

  The value of defined benefit obligations is calculated using actuarial valuation, using the "projected credit factor method". Actuarial valuation involves making assumptions about discount rates, future salary increases, legal retirement age and mortality rates. Due to the long term of these plans, such estimates are exposed to uncertainty. The hypotheses, estimates and sensitivity used for the calculations regarding the obligations regarding the determined benefits, as well as the related amounts are presented in *Note 36*.

  The Bank calculates the present value of the defined benefit obligation as the present value of future payments necessary to settle the obligation resulting from employee service in the current and prior periods. For the determination of the amounts to be recognized in profit or loss, the Banks takes into account the followings: the cost of the current service representing the additional rights granted to each employee, the cost of any past service and the gain or loss on settlement and net interest on the net defined benefit liability.

  The revaluation of the net defined benefit liability is recognized in other comprehensive income. Revaluations of the net defined benefit liability (asset) recognized in other comprehensive income is not reclassified to profit or loss in a subsequent period. However, the Bank may transfer those amounts recognized in other comprehensive income to equity. This includes actuarial gains and losses such as: differences resulting from changes in the calculation assumptions (early retirements, discount rates, etc.) and/or differences between actuarial assumptions and actual performance.

- Defined contribution plans

  Obligations for contributions to defined contribution pension plans are recognized as an expense in the 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.

- 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

t) 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.

u) Taxes

Income tax policy is described in *Note 3 i)*. The Group recognizes its liabilities related to the deposit insurance fee and resolution fund fee 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.

v) 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

- *Amendments to IAS 16 "Property, Plant and Equipment"* – "Proceeds before Intended Use", adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- *Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"* – Onerous Contracts – Cost of Fulfilling a Contract, adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.
- *Amendments to IFRS 3 "Business Combinations"* – Reference to the Conceptual Framework with amendments to IFRS 3, adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022). The amendments: (a) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; (b) add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and (c) add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
- *Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"* resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.). The amendments: (a) clarify that subsidiary which applies paragraph D16(a) of IFRS 1 is permitted to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs (IFRS 1); (b) clarify which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf (IFRS 9); (c) removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example (Illustrative Example 13 accompanying IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique (IAS 41).

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

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

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- *IFRS 17 "Insurance Contracts", including amendments to IFRS 17 issued by IASB on 25 June 2020* – adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023). The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied. Amendments to IFRS 17 "Insurance Contracts" issued by IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments issued on 25 June 2020 introduce simplifications and clarifications of some requirements in the Standard and provide additional reliefs when applying IFRS 17 for the first time.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

- *Amendments to IFRS 17 "Insurance contracts"* – Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023). It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.
- *Amendments to IAS 1 "Presentation of Financial Statements"* – Disclosure of Accounting Policies, adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023). Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.
- *Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"* – Definition of Accounting Estimates, adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023). Amendments focus on accounting estimates and provide guidance how to distinguish between accounting policies and accounting estimates.
- *Amendments to IAS 12 "Income Taxes"* – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023). According to amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

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

- *Amendments to IAS 1 "Presentation of Financial Statements"* – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023). The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments to IAS 1 issued by IASB on 15 July 2020 defer the effective date by one year to annual periods beginning on or after 1 January 2023.
- *Amendments to IAS 1 "Presentation of Financial Statements"* – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024). Amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- *Amendments to IFRS 16 "Leases"* – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024). Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.
- *IFRS 14 "Regulatory Deferral Accounts"* (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- *Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

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

Notes to the consolidated and separate financial statements for the year ended 31 December 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.

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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 such as 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;
- 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 system, 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 responsible for the quality and performance of its credit portfolio. The Group has centralized processes for 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 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

(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:

Group

In RON thousand	31 December 2022	31 December 2021
Non-retail customers, of which:		
Corporate lending	13,712,329	8,767,663
Project finance	2,738,031	2,046,206
Financial institution non-bank	763,680	1,431,079
Small and medium business (SMB)	2,137,638	1,831,721
Public sector	806,402	670,180
Sovereign	151,404	110,481
Retail customers, of which:		
Personal loan	8,162,235	7,556,323
Mortgage	8,157,458	7,558,505
Consumer loans guaranteed with mortgage	820,874	953,885
Credit Card	1,201,207	1,099,170
Overdraft	574,025	517,948
Micro	1,962,828	1,810,971
Total gross exposure	**41,188,111**	**34,354,132**
Impairment allowance	(1,336,542)	(1,381,020)
Total loans and advances to customers at amortized cost	**39,851,569**	**32,973,112**

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:

Bank

In RON thousand	31 December 2022	31 December 2021
Non-retail customers, of which:		
Corporate lending	13,436,764	9,146,358
Project finance	2,738,031	2,046,206
Financial institution non-bank	1,412,754	1,431,079
Small and medium business (SMB)	1,667,015	1,388,786
Public sector	806,402	670,180
Sovereign	151,404	110,481
Retail customers, of which:		
Personal loan	8,162,235	7,556,323
Mortgage	8,157,425	7,521,119
Consumer loans guaranteed with mortgage	820,874	953,885
Credit Card	1,201,207	1,099,170
Overdraft	574,025	517,948
Micro	1,536,633	1,397,983
Total gross exposure	**40,664,769**	**33,839,518**
Impairment allowance	(1,297,254)	(1,339,764)
Total loans and advances to customers at amortized cost	**39,367,515**	**32,499,754**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

In the table below are presented on stages the risk concentrations by product for retail customers and by economic sectors for non-retail customers. The amounts represent gross balance sheet exposures.

Group

In RON thousand — 31 December 2022

Loans and advances to customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail	**17,337,146**	**2,687,988**	**236,299**	**48,051**	**20,309,484**
Corporate lending	12,852,753	694,092	121,265	44,219	13,712,329
Project finance	1,370,480	1,299,489	68,062	–	2,738,031
Financial institution non-bank	763,680	–	–	–	763,680
Small and medium business	1,571,807	515,027	46,972	3,832	2,137,638
Public sector	756,407	49,995	–	–	806,402
Sovereign	22,019	129,385	–	–	151,404
Retail	**17,811,492**	**2,166,865**	**722,263**	**178,007**	**20,878,627**
Personal loan	7,331,130	448,728	379,154	3,223	8,162,235
Mortgage	7,140,317	852,553	114,770	49,818	8,157,458
Micro	1,602,044	267,509	91,526	1,749	1,962,828
Consumer loans guaranteed with mortgage	388,699	210,184	106,187	115,804	820,874
Credit card	1,082,177	91,420	20,197	7,413	1,201,207
Overdraft	267,125	296,471	10,429	–	574,025
Total gross exposure	**35,148,638**	**4,854,853**	**958,562**	**226,058**	**41,188,111**
Impairment allowance	(271,164)	(318,101)	(671,762)	(75,515)	(1,336,542)
Net exposure	**34,877,474**	**4,536,752**	**286,800**	**150,543**	**39,851,569**

In the table below are presented on stages the risk concentrations by product for retail customers and by economic sectors for non-retail customers. The amounts represent gross balance sheet exposures.

Group

In RON thousand — 31 December 2021

Loans and advances to customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail	**12,368,356**	**2,172,396**	**266,134**	**50,444**	**14,857,330**
Corporate lending	7,915,066	660,741	145,633	46,223	8,767,663
Project finance	1,003,517	974,487	68,202	–	2,046,206
Financial institution non-bank	1,416,926	12,612	1,541	–	1,431,079
Small and medium business	1,277,021	499,721	50,758	4,221	1,831,721
Public sector	645,345	24,835	–	–	670,180
Sovereign	110,481	–	–	–	110,481
Retail	**16,130,242**	**2,361,452**	**807,783**	**197,325**	**19,496,802**
Personal loan	6,558,951	558,916	435,848	2,608	7,556,323
Mortgage	6,497,144	895,061	111,624	54,676	7,558,505
Micro	1,441,090	267,002	101,006	1,873	1,810,971
Consumer loans guaranteed with mortgage	412,449	284,808	129,807	126,821	953,885
Credit card	990,491	79,338	17,996	11,345	1,099,170
Overdraft	230,117	276,327	11,502	2	517,948
Total gross exposure	**28,498,598**	**4,533,848**	**1,073,917**	**247,769**	**34,354,132**
Impairment allowance	(209,492)	(311,798)	(777,272)	(82,458)	(1,381,020)
Net exposure	**28,289,106**	**4,222,050**	**296,645**	**165,311**	**32,973,112**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

In the table below are presented on stages the risk concentrations by product for retail customers and by economic sectors for non-retail customers. The amounts represent gross balance sheet exposures.

Bank

In RON thousand

31 December 2022

Loans and advances to customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail	**17,402,955**	**2,541,618**	**219,746**	**48,051**	**20,212,370**
Corporate lending	12,621,866	658,071	112,608	44,219	13,436,764
Project finance	1,370,480	1,299,489	68,062	–	2,738,031
Financial institution non-bank	1,326,069	86,685	–	–	1,412,754
Small and medium business	1,306,114	317,993	39,076	3,832	1,667,015
Public sector	756,407	49,995	–	–	806,402
Sovereign	22,019	129,385	–	–	151,404
Retail	**17,438,371**	**2,132,357**	**703,664**	**178,007**	**20,452,399**
Personal loans	7,331,130	448,728	379,154	3,223	8,162,235
Mortgage	7,140,284	852,553	114,770	49,818	8,157,425
Micro	1,228,956	233,001	72,927	1,749	1,536,633
Consumer loan guaranteed with mortgage	388,699	210,184	106,187	115,804	820,874
Credit card	1,082,177	91,420	20,197	7,413	1,201,207
Overdraft	267,125	296,471	10,429	–	574,025
Total gross exposure	**34,841,326**	**4,673,975**	**923,410**	**226,058**	**40,664,769**
Impairment allowance	(265,091)	(308,490)	(648,158)	(75,515)	(1,297,254)
Net exposure	**34,576,235**	**4,365,485**	**275,252**	**150,543**	**39,367,515**

In the table below are presented on stages the risk concentrations by product for retail customers and by economic sectors for non-retail customers. The amounts represent gross balance sheet exposures.

Bank

In RON thousand

31 December 2021

Loans and advances to customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail	**12,529,976**	**1,966,729**	**245,941**	**50,444**	**14,793,090**
Corporate lending	8,324,457	640,487	135,191	46,223	9,146,358
Project finance	1,003,517	974,487	68,202	–	2,046,206
Financial institution non-bank	1,416,926	12,612	1,541	–	1,431,079
Small and medium business	1,029,250	314,308	41,007	4,221	1,388,786
Public sector	645,345	24,835	–	–	670,180
Sovereign	110,481	–	–	–	110,481
Retail	**15,756,904**	**2,307,299**	**784,900**	**197,325**	**19,046,428**
Personal loans	6,558,951	558,916	435,848	2,608	7,556,323
Mortgage	6,461,166	894,656	110,621	54,676	7,521,119
Micro	1,103,730	213,254	79,126	1,873	1,397,983
Consumer loan guaranteed with mortgage	412,449	284,808	129,807	126,821	953,885
Credit card	990,491	79,338	17,996	11,345	1,099,170
Overdraft	230,117	276,327	11,502	2	517,948
Total gross exposure	**28,286,880**	**4,274,028**	**1,030,841**	**247,769**	**33,839,518**
Impairment allowance	(206,002)	(302,415)	(748,889)	(82,458)	(1,339,764)
Net exposure	**28,080,878**	**3,971,613**	**281,952**	**165,311**	**32,499,754**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 2022

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Minimal Risk	3,225,409	48,892	–	979	3,275,280
Excellent Credit Standing	1,433,859	143,111	–	8,903	1,585,873
Very Good Credit Standing	4,501,305	178,634	–	23,603	4,703,542
Good Credit Standing	3,673,736	139,173	–	828	3,813,737
Sound Credit Standing	2,584,270	473,287	–	29,093	3,086,650
Acceptable Credit Standing	1,221,103	397,014	–	30,758	1,648,875
Marginal Credit Standing	496,536	372,837	–	20,939	890,312
Weak Credit Standing	112,366	128,981	–	212	241,559
Very Weak Credit Standing	12,542	204,959	–	5,073	222,574
Default	–	–	722,263	57,571	779,834
Not Rated	550,366	79,977	–	48	630,391
Total	**17,811,492**	**2,166,865**	**722,263**	**178,007**	**20,878,627**

Group

In RON thousand — 31 December 2021

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Minimal Risk	2,899,858	105,085	–	2,001	3,006,944
Excellent Credit Standing	178,536	17,007	–	40	195,583
Very Good Credit Standing	5,213,798	578,758	–	37,493	5,830,049
Good Credit Standing	3,167,307	251,664	–	2,030	3,421,001
Sound Credit Standing	2,780,136	435,446	–	43,179	3,258,761
Acceptable Credit Standing	882,021	205,144	–	351	1,087,516
Marginal Credit Standing	449,068	331,690	–	32,247	813,005
Weak Credit Standing	77,544	207,989	–	9,885	295,418
Very Weak Credit Standing	5,095	121,430	–	7,612	134,137
Default	–	–	806,780	62,412	869,192
Not Rated	476,879	107,239	1,003	75	585,196
Total	**16,130,242**	**2,361,452**	**807,783**	**197,325**	**19,496,802**

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.*

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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.

Bank

In RON thousand — 31 December 2022

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Minimal Risk	3,225,409	48,892	–	979	3,275,280
Excellent Credit Standing	1,433,859	143,111	–	8,903	1,585,873
Very Good Credit Standing	4,501,305	178,634	–	23,603	4,703,542
Good Credit Standing	3,673,736	139,173	–	828	3,813,737
Sound Credit Standing	2,584,270	473,287	–	29,093	3,086,650
Acceptable Credit Standing	1,221,103	397,014	–	30,758	1,648,875
Marginal Credit Standing	496,536	372,837	–	20,939	890,312
Weak Credit Standing	112,366	128,981	–	212	241,559
Very Weak Credit Standing	12,542	204,959	–	5,073	222,574
Default	–	–	703,664	57,571	761,235
Not Rated	177,245	45,469	–	48	222,762
Total	**17,438,371**	**2,132,357**	**703,664**	**178,007**	**20,452,399**

Bank

In RON thousand — 31 December 2021

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Minimal Risk	2,899,858	105,085	–	2,001	3,006,944
Excellent Credit Standing	178,536	17,007	–	40	195,583
Very Good Credit Standing	5,213,798	578,758	–	37,493	5,830,049
Good Credit Standing	3,166,819	251,507	–	2,030	3,420,356
Sound Credit Standing	2,780,136	435,446	–	43,179	3,258,761
Acceptable Credit Standing	882,021	205,144	–	351	1,087,516
Marginal Credit Standing	449,068	331,690	–	32,247	813,005
Weak Credit Standing	77,544	207,989	–	9,885	295,418
Very Weak Credit Standing	5,095	121,430	–	7,612	134,137
Default	–	–	784,900	62,412	847,312
Not Rated	104,029	53,243	–	75	157,347
Total	**15,756,904**	**2,307,299**	**784,900**	**197,325**	**19,046,428**

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.*

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 2022

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	27,230	364	–	–	27,594
Strong	3,433,978	182,903	–	–	3,616,881
Good	9,264,349	1,105,196	–	–	10,369,545
Satisfactory	4,601,816	1,312,410	429	–	5,914,655
Substandard	6,815	72,656	–	–	79,471
Impaired	–	–	235,866	48,051	283,917
Unrated	2,958	14,459	4	–	17,421
Total	**17,337,146**	**2,687,988**	**236,299**	**48,051**	**20,309,484**

Group

In RON thousand 31 December 2021

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	29,568	3,901	–	–	33,469
Strong	2,077,098	52,968	–	–	2,130,066
Good	6,894,795	843,198	–	–	7,737,993
Satisfactory	3,328,809	1,097,171	–	–	4,425,980
Substandard	6,041	163,077	–	–	169,118
Impaired	–	–	264,463	50,444	314,907
Unrated	32,045	12,081	1,671	–	45,797
Total	**12,368,356**	**2,172,396**	**266,134**	**50,444**	**14,857,330**

Bank

In RON thousand 31 December 2022

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	24,682	61	–	–	24,743
Strong	3,417,146	159,661	–	–	3,576,807
Good	9,559,564	1,126,024	–	–	10,685,588
Satisfactory	4,394,982	1,188,863	429	–	5,584,274
Substandard	6,581	66,972	–	–	73,553
Impaired	–	–	219,313	48,051	267,364
Unrated	–	37	4	–	41
Total	**17,402,955**	**2,541,618**	**219,746**	**48,051**	**20,212,370**

Bank

In RON thousand 31 December 2021

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	25,854	1,135	–	–	26,989
Strong	2,063,258	27,560	–	–	2,090,818
Good	6,686,800	794,844	–	–	7,481,644
Satisfactory	3,717,981	982,044	–	–	4,700,025
Substandard	5,227	156,846	–	–	162,073
Impaired	–	–	244,270	50,444	294,714
Unrated	30,856	4,300	1,671	–	36,827
Total	**12,529,976**	**1,966,729**	**245,941**	**50,444**	**14,793,090**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

At **Group** level, loans and advances to banks in amount of RON 323,543 thousand (31 December 2021: RON 1,518,422 thousand) are all classified in Stage 1.

At **Bank** level, loans and advances to banks in amount of RON 286,851 thousand (31 December 2021: RON 1,504,874 thousand) are all classified in Stage 1.

Loans and advances to banks as of 31 December 2022 mainly represent short term loans, 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The table below shows the maximum on-balance sheet exposure to credit risk by segment. The tables 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 2022

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECLs
Non-retail						
Corporate lending	13,712,329	2,177,869	(523,432)	1,654,437	12,057,892	250,133
Project finance	2,738,031	2,288,705	(363,463)	1,925,242	812,789	114,854
Financial institution non-bank	763,680	–	–	–	763,680	830
Small and medium business	2,137,638	553,248	(221,013)	332,235	1,805,403	57,597
Public sector	806,402	–	–	–	806,402	747
Sovereign	151,404	–	–	–	151,404	13
Total Non-retail	**20,309,484**	**5,019,822**	**(1,107,908)**	**3,911,914**	**16,397,570**	**424,174**
Retail						
Personal loans	8,162,235	175,027	(60,982)	114,045	8,048,190	447,170
Mortgage	8,157,458	7,698,069	(1,502,264)	6,195,805	1,961,653	181,670
Micro	820,874	408,120	(212,456)	195,664	625,210	112,640
Consumer loan guaranteed with mortgage	1,201,207	1,231,106	(596,236)	634,870	566,337	116,707
Credit card	574,025	–	–	–	574,025	26,848
Overdraft	1,962,828	–	–	–	1,962,828	27,333
Total Retail	**20,878,627**	**9,512,322**	**(2,371,938)**	**7,140,384**	**13,738,243**	**912,368**
Financial assets at fair value through profit or loss	**167,460**	**214,278**	**(88,452)**	**125,826**	**41,634**	**13,525**

Group

In RON thousand — 31 December 2021

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECLs
Non-retail						
Corporate lending	8,767,663	1,952,571	(486,206)	1,466,365	7,301,298	244,453
Project finance	2,046,206	2,248,791	(435,556)	1,813,235	232,971	106,749
Financial institution non-bank	1,431,079	–	–	–	1,431,079	7,413
Small and medium business	1,831,721	574,621	(221,879)	352,742	1,478,979	76,044
Public sector	670,180	–	–	–	670,180	188
Sovereign	110,481	–	–	–	110,481	6
Total Non-retail	**14,857,330**	**4,775,983**	**(1,143,641)**	**3,632,342**	**11,224,988**	**434,853**
Retail						
Personal loans	7,556,323	1,742	(1,522)	220	7,556,103	463,652
Mortgage	7,558,505	6,683,128	(1,208,431)	5,474,697	2,083,808	185,592
Micro	1,810,971	484,808	(245,924)	238,884	1,572,087	99,744
Consumer loan guaranteed with mortgage	953,885	1,312,414	(591,445)	720,969	232,916	143,486
Credit card	1,099,170	–	–	–	1,099,170	25,908
Overdraft	517,948	–	–	–	517,948	27,785
Total Retail	**19,496,802**	**8,482,092**	**(2,047,322)**	**6,434,770**	**13,062,032**	**946,167**
Financial assets at fair value through profit or loss	**229,526**	**234,450**	**(65,200)**	**169,250**	**60,276**	**15,154**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The table below shows the maximum on-balance sheet exposure to credit risk by segment. The tables also show the total fair value of collateral, any surplus of collateral and the net exposure to credit risk:

Bank

In RON thousand — 31 December 2022

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECLs
Non-retail						
Corporate lending	13,436,764	2,177,869	(523,432)	1,654,437	11,782,327	242,778
Project finance	2,738,031	2,288,705	(363,463)	1,925,242	812,789	114,854
Financial institution non-bank	1,412,754	–	–	–	1,412,754	830
Small and medium business	1,667,015	553,248	(221,013)	332,235	1,334,780	44,225
Public sector	806,402	–	–	–	806,402	747
Sovereign	151,404	–	–	–	151,404	13
Total Non-retail	**20,212,370**	**5,019,822**	**(1,107,908)**	**3,911,914**	**16,300,456**	**403,447**
Retail						
Personal loans	8,162,235	175,027	(60,982)	114,045	8,048,190	447,170
Mortgage	8,157,425	7,698,069	(1,502,264)	6,195,805	1,961,620	181,670
Micro	820,874	408,120	(212,456)	195,664	625,210	94,079
Consumer loan guaranteed with mortgage	1,201,207	1,231,106	(596,236)	634,870	566,337	116,707
Credit card	574,025	–	–	–	574,025	26,848
Overdraft	1,536,633	–	–	–	1,536,633	27,333
Total retail	**20,452,399**	**9,512,322**	**(2,371,938)**	**7,140,384**	**13,312,015**	**893,807**
Financial assets at fair value through profit or loss	**167,460**	**214,278**	**(88,452)**	**125,826**	**41,634**	**13,525**

Bank

In RON thousand — 31 December 2021

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECLs
Non-retail						
Corporate lending	9,146,358	1,907,772	(486,206)	1,421,566	7,724,792	213,348
Project finance	2,046,206	2,248,791	(435,556)	1,813,235	232,971	106,749
Financial institution non-bank	1,431,079	–	–	–	1,431,079	7,413
Small and medium business	1,388,786	559,054	(221,879)	337,175	1,051,611	66,948
Public sector	670,180	–	–	–	670,180	188
Sovereign	110,481	–	–	–	110,481	6
Total Non-retail	**14,793,090**	**4,715,617**	**(1,143,641)**	**3,571,976**	**11,221,114**	**394,652**
Retail						
Personal loans	7,556,323	1,742	(1,522)	220	7,556,103	463,652
Mortgage	7,521,119	6,556,763	(1,106,785)	5,449,978	2,071,141	184,537
Micro	953,885	484,808	(245,924)	238,884	715,001	99,744
Consumer loan guaranteed with mortgage	1,099,170	1,312,414	(591,445)	720,969	378,201	143,486
Credit card	517,948	–	–	–	517,948	25,908
Overdraft	1,397,983	–	–	–	1,397,983	27,785
Total retail	**19,046,428**	**8,355,727**	**(1,945,676)**	**6,410,051**	**12,636,377**	**945,112**
Financial assets at fair value through profit or loss	**229,526**	**234,450**	**(65,200)**	**169,250**	**60,276**	**15,154**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The table below shows the Stage 3 maximum on-balance sheet exposure to credit risk by segment. The tables 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 2022

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECLs
Non-retail						
Corporate lending	165,484	34,140	(8,807)	25,333	140,151	104,006
Project finance	68,062	10,377	–	10,377	57,685	54,860
Financial institution non-bank	–	–	–	–	–	–
Small and medium business	50,804	7,703	(287)	7,416	43,388	32,512
Public sector	–	–	–	–	–	–
Sovereign	–	–	–	–	–	–
Total Non-retail	**284,350**	**52,220**	**(9,094)**	**43,126**	**241,224**	**191,378**
Retail						
Personal loans	381,166	–	–	–	381,166	284,205
Mortgage	130,740	117,186	(28,732)	88,454	42,286	82,428
Micro	93,153	30,249	(16,928)	13,321	79,832	66,113
Consumer loan guaranteed with mortgage	138,718	159,099	(63,865)	95,234	43,484	96,484
Credit card	25,628	–	–	–	25,628	15,686
Overdraft	10,429	–	–	–	10,429	8,351
Total Retail	**779,834**	**306,534**	**(109,525)**	**197,009**	**582,825**	**553,267**

Group

In RON thousand — 31 December 2021

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECLs
Non-retail						
Corporate lending	191,856	39,807	(5,607)	34,200	157,656	117,563
Project finance	68,202	15,673	–	15,673	52,529	51,078
Financial institution non-bank	1,541	–	–	–	1,541	1,541
Small and medium business	54,979	13,096	(1,384)	11,712	43,267	34,764
Public sector	–	–	–	–	–	–
Sovereign	–	–	–	–	–	–
Total Non-retail	**316,578**	**68,576**	**(6,991)**	**61,585**	**254,993**	**204,946**
Retail						
Personal loans	436,876	258	(256)	2	436,874	352,057
Mortgage	126,508	106,480	(23,889)	82,591	43,917	80,772
Micro	102,712	38,181	(23,400)	14,781	87,931	76,635
Consumer loan guaranteed with mortgage	164,708	171,854	(64,474)	107,380	57,328	109,358
Credit card	27,889	–	–	–	27,889	19,029
Overdraft	11,502	–	–	–	11,502	12,282
Total Retail	**870,195**	**316,773**	**(112,019)**	**204,754**	**665,441**	**650,133**

SUMMARY

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The table below shows the Stage 3 maximum on-balance sheet exposure to credit risk by segment. The tables also show the total fair value of collateral, any surplus of collateral and the net exposure to credit risk:

Bank

In RON thousand — 31 December 2022

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECLs
Non-retail						
Corporate lending	156,827	34,140	(8,807)	25,333	131,494	97,871
Project finance	68,062	10,377	–	10,377	57,685	54,860
Financial institution non-bank	–	–	–	–	–	–
Small and medium business	42,908	7,703	(287)	7,416	35,492	25,860
Public sector	–	–	–	–	–	–
Sovereign	–	–	–	–	–	–
Total Non-retail	**267,797**	**52,220**	**(9,094)**	**43,126**	**224,671**	**178,591**
Retail						
Personal loans	381,166	–	–	–	381,166	284,205
Mortgage	130,740	117,186	(28,732)	88,454	42,286	82,428
Micro	74,554	30,249	(16,928)	13,321	61,233	55,296
Consumer loan guaranteed with mortgage	138,718	159,099	(63,865)	95,234	43,484	96,484
Credit card	25,628	–	–	–	25,628	15,686
Overdraft	10,429	–	–	–	10,429	8,351
Total Retail	**761,235**	**306,534**	**(109,525)**	**197,009**	**564,226**	**542,450**

Bank

In RON thousand — 31 December 2021

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECLs
Non-retail						
Corporate lending	181,414	39,807	(5,607)	34,200	147,214	108,467
Project finance	68,202	15,673	–	15,673	52,529	51,078
Financial institution non-bank	1,541	–	–	–	1,541	1,541
Small and medium business	45,228	13,096	(1,384)	11,712	33,516	29,070
Public sector	–	–	–	–	–	–
Sovereign	–	–	–	–	–	–
Total Non-retail	**296,385**	**68,576**	**(6,991)**	**61,585**	**234,800**	**190,156**
Retail						
Personal loans	436,876	258	(256)	2	436,874	352,056
Mortgage	125,505	106,480	(23,889)	82,591	42,914	79,957
Micro	80,832	38,181	(23,400)	14,781	66,051	63,858
Consumer loan guaranteed with mortgage	164,708	171,854	(64,474)	107,380	57,328	109,358
Credit card	27,889	–	–	–	27,889	19,029
Overdraft	11,502	–	–	–	11,502	12,282
Total Retail	**847,312**	**316,773**	**(112,019)**	**204,754**	**642,558**	**636,540**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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:

Group

In RON thousand — 31 December 2022

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	4,599,517	304,227	(94,562)	209,665	4,389,852	40,390
Loan commitments given	12,330,622	158,592	(16,146)	142,446	12,188,176	25,315
Total Non-retail	**16,930,139**	**462,819**	**(110,708)**	**352,111**	**16,578,028**	**65,705**
Retail						
Financial guarantees given	18,365	8,865	(2,376)	6,489	11,876	33
Loan commitments given	3,806,883	16,381	(3,269)	13,112	3,793,771	20,929
Retail	**3,825,248**	**25,246**	**(5,645)**	**19,601**	**3,805,647**	**20,962**

Group

In RON thousand — 31 December 2021

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	3,561,835	233,406	(106,975)	126,431	3,435,404	38,386
Loan commitments given	9,612,097	169,316	(18,440)	150,876	9,461,221	21,064
Total Non-retail	**13,173,932**	**402,722**	**(125,415)**	**277,307**	**12,896,625**	**59,450**
Retail						
Financial guarantees given	18,806	9,225	(2,640)	(6,585)	12,021	22
Loan commitments given	3,783,739	18,880	(6,946)	(11,934)	3,771,805	17,053
Retail	**3,802,345**	**28,105**	**(9,586)**	**18,519**	**3,783,826**	**17,075**

Where the case, collateral values are allocated proportionally between on- and off-balance sheet exposures.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables on the following pages show the maximum Stage 3 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:

Group

In RON thousand	31 December 2022					
	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	95,759	1,822	–	1,822	93,937	39,330
Loan commitments given	27,764	484	–	484	27,280	8,589
Total Non-retail	**123,523**	**2,306**	**–**	**2,306**	**121,217**	**47,919**
Retail						
Financial guarantees given	–	–	–	–	–	–
Loan commitments given	16,251	–	–	–	16,251	9,831
Total Retail	**16,251**	**–**	**–**	**–**	**16,251**	**9,831**

Group

In RON thousand	31 December 2021					
	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	79,632	3,550	–	3,550	76,082	36,028
Loan commitments given	34,306	2,932	–	2,932	31,374	11,546
Total Non-retail	**113,938**	**6,482**	**–**	**6,482**	**107,456**	**47,574**
Retail						
Financial guarantees given	–	–	–	–	–	–
Loan commitments given	11,592	–	–	–	11,592	9,598
Total Retail	**11,592**	**–**	**–**	**–**	**11,592**	**9,598**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables on the following pages show the maximum off-balance sheet exposure to credit risk by segment. The tables also show the total fair value of collateral, any surplus collateral, and the net exposure to credit risk:

Bank

In RON thousand — 31 December 2022

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	4,599,517	304,227	(94,562)	209,665	4,389,852	40,390
Loan commitments given	12,432,693	158,592	(16,146)	142,446	12,290,247	25,315
Total Non-retail	**17,032,210**	**462,819**	**(110,708)**	**352,111**	**16,680,099**	**65,705**
Retail						
Financial guarantees given	18,365	8,865	(2,376)	6,489	11,876	33
Loan commitments given	3,784,434	16,381	(3,269)	13,112	3,771,322	20,929
Total Retail	**3,802,799**	**25,246**	**(5,645)**	**19,601**	**3,783,198**	**20,962**

Bank

In RON thousand — 31 December 2021

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	3,561,857	233,406	(106,875)	126,431	3,435,426	38,386
Loan commitments given	9,562,697	169,316	(18,440)	150,876	9,411,821	21,064
Total Non-retail	**13,124,554**	**402,722**	**(125,415)**	**277,307**	**12,847,247**	**59,450**
Retail						
Financial guarantees given	18,606	9,225	(2,640)	6,585	12,021	22
Loan commitments given	3,993,169	18,880	(6,946)	11,934	3,981,235	17,053
Total Retail	**4,011,775**	**28,105**	**(9,586)**	**18,519**	**3,993,256**	**17,075**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables on the following pages show the maximum Stage 3 off-balance sheet exposure to credit risk by segment. The tables also show the total fair value of collateral, any surplus collateral, and the net exposure to credit risk:

Bank

In RON thousand 31 December 2022

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	95,759	1,822	–	1,822	93,937	39,330
Loan commitments given	28,034	484	–	484	27,550	8,589
Total Non-retail	**123,793**	**2,306**	**–**	**2,306**	**121,487**	**47,919**
Retail						
Financial guarantees given	–	–	–	–	–	–
Loan commitments given	15,981	–	–	–	15,981	9,831
Total Retail	**15,981**	**–**	**–**	**–**	**15,981**	**9,831**

Bank

In RON thousand 31 December 2021

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	79,654	3,550	–	3,550	76,104	36,028
Loan commitments given	33,736	2,932	–	2,932	30,804	11,546
Total Non-retail	**113,390**	**6,482**	**–**	**6,482**	**106,908**	**47,574**
Retail						
Financial guarantees given	–	–	–	–	–	–
Loan commitments given	15,001	–	(205)	(205)	15,001	9,598
Total Retail	**15,001**	**–**	**–**	**–**	**15,001**	**9,598**

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, 2022 was RON 19,991 thousand (December 31, 2021: RON 47,000 thousand).

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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).

Loans and advances to customers past due of December 31, 2022 were as follows:

Group
In RON thousand

	Stage 1			Stage 2			Stage 3			POCI		
	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days
Retail customers	770,482	–	–	418,814	91,547	–	27,034	39,010	86,441	19,693	4,101	6,530
Non-retail customers	318,636	–	–	178,195	25,055	–	7,589	6,099	32,461	3,517	280	3,148
Total	**1,089,118**	**–**	**–**	**597,009**	**116,602**	**–**	**34,623**	**45,109**	**118,902**	**23,210**	**4,381**	**9,678**

Bank
In RON thousand

	Stage 1			Stage 2			Stage 3			POCI		
	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days
Retail customers	769,651	–	–	418,779	91,242	–	26,972	39,010	86,256	19,693	4,101	6,530
Non-retail customers	308,647	–	–	168,132	22,972	–	1,089	5,661	28,099	3,517	280	3,148
Total	**1,078,298**	**–**	**–**	**586,911**	**114,214**	**–**	**28,061**	**44,671**	**114,355**	**23,210**	**4,381**	**9,678**

Loans and advances to customers past due of December 31, 2021 were as follows:

Group
In RON thousand

	Stage 1			Stage 2			Stage 3			POCI		
	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days
Retail customers	544,436	11,993	221	362,112	65,097	7,243	23,729	34,203	81,154	18,324	6,045	8,580
Non-retail customers	356,041	18	170	221,090	3,903	23	12,568	1,895	42,503	116	212	8,212
Total	**900,477**	**12,011**	**391**	**583,202**	**69,000**	**7,266**	**36,297**	**36,098**	**123,657**	**18,440**	**6,257**	**16,792**

Bank
In RON thousand

	Stage 1			Stage 2			Stage 3			POCI		
	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days
Retail customers	542,696	11,990	216	361,961	64,963	7,243	23,622	34,189	81,046	18,324	6,045	8,580
Non-retail customers	348,516	18	170	218,424	559	23	5,215	988	36,375	116	212	8,212
Total	**891,212**	**12,008**	**386**	**580,385**	**65,522**	**7,266**	**28,837**	**35,177**	**117,421**	**18,440**	**6,257**	**16,792**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The table below presents the portfolio of loans to non-retail customers at amortized cost split on industries:

Group

In RON thousand — 31 December 2022

Non-retail	Stage 1	Stage 2	Stage 3	POCI	Total
A. Agriculture, forestry and fishing	936,849	117,846	10,021	3,417	1,068,133
B. Mining and quarrying	1,000,969	2,524	378	–	1,003,871
C. Manufacturing	2,530,708	317,832	54,846	6,547	2,909,933
D. Electricity, gas, steam and air conditioning supply	1,353,887	9,221	6,799	–	1,369,907
E. Water supply	259,797	6,092	41	–	265,930
F. Construction	799,947	255,836	21,604	5,748	1,083,135
G. Wholesale and retail trade	4,917,334	332,816	46,542	1,814	5,298,506
H. Transport and storage services	1,122,778	186,628	8,038	504	1,317,948
I. Accommodation and restaurant services	74,811	410,808	14,973	–	500,592
J. Information and communications	66,621	28,181	4,302	29,903	129,007
K. Financial and insurance activities	1,029,791	43,197	3	–	1,072,991
L. Real estate activities	1,489,759	698,486	61,274	–	2,249,519
M. Professional, scientific and technical activities	214,142	21,659	1,492	118	237,411
N. Administrative and support service activities	237,892	17,556	627	–	256,075
O. Public administration and defense, compulsory social security	776,978	178,769	–	–	955,747
P. Education	35,163	394	–	–	35,557
Q. Human health services and social work activities	398,730	11,259	1,894	–	411,883
R. Arts, entertainment and recreation	21,309	36,380	795	–	58,484
S. Other services	69,681	12,504	2,670	–	84,855
Total	**17,337,146**	**2,687,988**	**236,299**	**48,051**	**20,309,484**

The table below presents the portfolio of loans to non-retail customers at amortized cost split on industries:

Group

In RON thousand — 31 December 2021

Non-retail	Stage 1	Stage 2	Stage 3	POCI	Total
A. Agriculture, forestry and fishing	782,535	183,143	8,952	3,327	977,957
B. Mining and quarrying	66,069	738	451	–	67,258
C. Manufacturing	2,116,166	250,797	63,140	6,630	2,436,733
D. Electricity, gas, steam and air conditioning supply	372,072	1,443	6,532	–	380,047
E. Water supply	93,516	49,865	18	–	143,399
F. Construction	577,307	317,815	27,670	6,698	929,490
G. Wholesale and retail trade	3,834,478	192,025	54,025	2,986	4,083,514
H. Transport and storage services	732,608	250,075	13,086	149	995,918
I. Accommodation and restaurant services	35,493	277,080	12,478	–	325,051
J. Information and communications	91,901	2,108	4,356	30,654	129,019
K. Financial and insurance activities	1,045,019	12,612	3	–	1,057,634
L. Real estate activities	1,204,609	313,913	61,691	–	1,580,213
M. Professional, scientific and technical activities	78,327	241,073	1,817	–	321,217
N. Administrative and support service activities	180,270	23,685	1,331	–	205,286
O. Public administration and defense, compulsory social security	716,862	24,879	–	–	741,741
P. Education	39,220	340	1	–	39,561
Q. Human health services and social work activities	278,476	15,718	3,112	–	297,306
R. Arts, entertainment and recreation	11,567	637	2,318	–	14,522
S. Other services	111,861	14,450	5,153	–	131,464
Total	**12,368,356**	**2,172,396**	**266,134**	**50,444**	**14,857,330**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The table below presents the portfolio of loans to non-retail customers at amortized cost split on industries:

Bank

In RON thousand — 31 December 2022

Non-retail	Stage 1	Stage 2	Stage 3	POCI	Total
A. Agriculture, forestry and fishing	911,378	109,684	9,983	3,417	1,034,462
B. Mining and quarrying	997,720	616	233	–	998,569
C. Manufacturing	2,447,304	290,058	46,441	6,547	2,790,350
D. Electricity, gas, steam and air conditioning supply	1,350,537	9,221	6,799	–	1,366,557
E. Water supply	197,240	3,022	41	–	200,303
F. Construction	718,682	234,457	20,833	5,748	979,720
G. Wholesale and retail trade	4,823,388	276,206	44,475	1,814	5,145,883
H. Transport and storage services	1,008,827	130,047	5,929	504	1,145,307
I. Accommodation and restaurant services	73,789	384,309	14,973	–	473,071
J. Information and communications	58,812	18,673	3,173	29,903	110,561
K. Financial and insurance activities	1,591,106	129,879	3	–	1,720,988
L. Real estate activities	1,488,115	698,045	61,274	–	2,247,434
M. Professional, scientific and technical activities	209,657	12,012	1,492	118	223,279
N. Administrative and support service activities	234,855	13,068	627	–	248,550
O. Public administration and defense, compulsory social security	776,667	178,697	–	–	955,364
P. Education	35,020	371	–	–	35,391
Q. Human health services and social work activities	392,034	7,156	5	–	399,195
R. Arts, entertainment and recreation	20,991	35,860	795	–	57,646
S. Other services	66,833	10,237	2,670	–	79,740
Total	**17,402,955**	**2,541,618**	**219,746**	**48,051**	**20,212,370**

The table below presents the portfolio of loans to non-retail customers at amortized cost split on industries:

Bank

In RON thousand — 31 December 2021

Non-retail	Stage 1	Stage 2	Stage 3	POCI	Total
A. Agriculture, forestry and fishing	767,230	177,024	8,914	3,327	956,495
B. Mining and quarrying	62,689	649	235	–	63,573
C. Manufacturing	2,038,892	222,423	54,462	6,630	2,322,407
D. Electricity, gas, steam and air conditioning supply	371,829	1,443	6,532	–	379,804
E. Water supply	66,524	46,287	18	–	112,829
F. Construction	510,745	301,048	27,228	6,698	845,719
G. Wholesale and retail trade	3,731,029	141,944	51,416	2,986	3,927,375
H. Transport and storage services	613,943	197,292	9,147	149	820,531
I. Accommodation and restaurant services	35,004	248,574	12,478	–	296,056
J. Information and communications	86,943	1,536	3,213	30,654	122,346
K. Financial and insurance activities	1,642,953	12,612	3	–	1,655,568
L. Real estate activities	1,202,915	313,896	61,691	–	1,578,502
M. Professional, scientific and technical activities	74,821	235,730	1,817	–	312,368
N. Administrative and support service activities	174,711	20,712	1,316	–	196,739
O. Public administration and defense, compulsory social security	716,593	24,835	–	–	741,428
P. Education	39,220	281	1	–	39,502
Q. Human health services and social work activities	273,211	8,213	1	–	281,425
R. Arts, entertainment and recreation	10,936	22	2,318	–	13,276
S. Other services	109,788	12,208	5,151	–	127,147
Total	**12,529,976**	**1,966,729**	**245,941**	**50,444**	**14,793,090**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The table below presents the portfolio of loans to retail customers at amortized cost split on industries:

Group

In RON thousand — 31 December 2022

Retail	Stage 1	Stage 2	Stage 3	POCI	Total
A. Agriculture, forestry and fishing	249,058	49,521	4,406	61	303,046
B. Mining and quarrying	1,656	114	71	–	1,841
C. Manufacturing	151,499	27,174	7,584	23	186,280
D. Electricity, gas, steam and air conditioning supply	1,462	88	17	–	1,567
E. Water supply	7,892	792	1,088	4	9,776
F. Construction	180,237	40,883	14,490	140	235,750
G. Wholesale and retail trade	406,978	67,341	24,529	913	499,761
H. Transport and storage services	234,684	37,104	20,547	168	292,503
I. Accommodation and restaurant services	54,020	5,682	3,338	33	63,073
J. Information and communications	49,978	7,584	1,732	64	59,358
K. Financial and insurance activities	1,344	80	21	–	1,445
L. Real estate activities	12,484	803	200	–	13,487
M. Professional, scientific and technical activities	117,813	15,760	5,670	199	139,442
N. Administrative and support service activities	52,008	6,975	3,725	96	62,804
O. Public administration and defense, compulsory social security	181	101	1	–	283
P. Education	5,690	1,479	309	35	7,513
Q. Human health services and social work activities	38,201	1,848	1,045	–	41,094
R. Arts, entertainment and recreation	9,734	1,279	2,053	1	13,067
S. Other services	19,998	2,900	645	11	23,554
Private individuals	16,216,575	1,899,357	630,792	176,259	18,922,983
Total	**17,811,492**	**2,166,865**	**722,263**	**178,007**	**20,878,627**

The table below presents the portfolio of loans to retail customers at amortized cost split on industries:

Group

In RON thousand — 31 December 2021

Retail	Stage 1	Stage 2	Stage 3	POCI	Total
A. Agriculture, forestry and fishing	182,269	69,063	5,588	11	256,931
B. Mining and quarrying	2,393	438	126	–	2,957
C. Manufacturing	147,887	25,492	10,009	115	183,503
D. Electricity, gas, steam and air conditioning supply	477	2	33	–	512
E. Water supply	9,268	619	1,373	5	11,265
F. Construction	160,455	20,784	15,173	115	196,527
G. Wholesale and retail trade	407,791	47,910	27,740	847	484,288
H. Transport and storage services	216,999	41,290	24,628	131	283,048
I. Accommodation and restaurant services	36,452	14,049	1,960	45	52,506
J. Information and communications	39,988	4,192	2,597	76	46,853
K. Financial and insurance activities	669	78	109	–	856
L. Real estate activities	9,056	1,260	531	–	10,847
M. Professional, scientific and technical activities	109,950	17,385	3,744	171	131,250
N. Administrative and support service activities	45,647	9,096	4,364	278	59,385
O. Public administration and defense, compulsory social security	135	84	–	–	219
P. Education	5,495	2,332	362	–	8,189
Q. Human health services and social work activities	36,925	6,026	1,236	8	44,195
R. Arts, entertainment and recreation	5,005	3,470	1,015	17	9,507
S. Other services	16,511	3,408	348	53	20,320
Private individuals	14,696,870	2,094,474	706,847	195,453	17,693,644
Total	**16,130,242**	**2,361,452**	**807,783**	**197,325**	**19,496,802**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The table below presents the portfolio of loans to retail customers at amortized cost split on industries:

Bank

In RON thousand — 31 December 2022

Retail	Stage 1	Stage 2	Stage 3	POCI	Total
A. Agriculture, forestry and fishing	223,692	46,825	3,548	61	274,126
B. Mining and quarrying	224	114	31	–	369
C. Manufacturing	119,947	22,624	6,908	23	149,502
D. Electricity, gas, steam and air conditioning supply	1,414	88	17	–	1,519
E. Water supply	5,681	763	1,027	4	7,475
F. Construction	136,431	37,028	13,001	140	186,600
G. Wholesale and retail trade	340,749	62,004	23,067	913	426,733
H. Transport and storage services	145,132	25,308	8,673	168	179,281
I. Accommodation and restaurant services	44,335	4,401	3,127	33	51,896
J. Information and communications	30,871	7,075	1,522	64	39,532
K. Financial and insurance activities	74	8	21	–	103
L. Real estate activities	6,466	441	75	–	6,982
M. Professional, scientific and technical activities	81,527	13,551	4,684	199	99,961
N. Administrative and support service activities	39,005	6,332	3,551	96	48,984
O. Public administration and defense, compulsory social security	181	101	1	–	283
P. Education	4,355	1,436	309	35	6,135
Q. Human health services and social work activities	27,551	1,035	984	–	29,570
R. Arts, entertainment and recreation	7,917	1,119	1,855	1	10,892
S. Other services	13,404	2,747	527	11	16,689
Private individuals	16,209,415	1,899,357	630,736	176,259	18,915,767
Total	**17,438,371**	**2,132,357**	**703,664**	**178,007**	**20,452,399**

The table below presents the portfolio of loans to retail customers at amortized cost split on industries:

Bank

In RON thousand — 31 December 2021

Retail	Stage 1	Stage 2	Stage 3	POCI	Total
A. Agriculture, forestry and fishing	158,135	65,726	4,401	11	228,273
B. Mining and quarrying	397	84	78	–	559
C. Manufacturing	120,272	18,299	9,181	115	147,867
D. Electricity, gas, steam and air conditioning supply	477	2	33	–	512
E. Water supply	5,663	533	1,373	5	7,574
F. Construction	123,423	16,290	13,251	115	153,079
G. Wholesale and retail trade	346,920	40,703	25,928	847	414,398
H. Transport and storage services	122,784	20,372	10,151	131	153,438
I. Accommodation and restaurant services	30,753	11,958	1,841	45	44,597
J. Information and communications	28,055	3,731	2,503	76	34,365
K. Financial and insurance activities	125	8	109	–	242
L. Real estate activities	4,654	760	257	–	5,671
M. Professional, scientific and technical activities	79,467	13,859	3,227	171	96,724
N. Administrative and support service activities	35,733	7,851	4,019	278	47,881
O. Public administration and defense, compulsory social security	135	84	–	–	219
P. Education	4,213	2,201	362	–	6,776
Q. Human health services and social work activities	26,579	4,666	1,166	8	32,419
R. Arts, entertainment and recreation	3,988	3,036	898	17	7,939
S. Other services	11,956	3,092	349	53	15,450
Private individuals	14,653,175	2,094,044	705,773	195,453	17,648,445
Total	**15,756,904**	**2,307,299**	**784,900**	**197,325**	**19,046,428**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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, 2022 and December 31, 2021. These variables are the most significant variables used in ECL calculation.

31 December 2022 Key Drivers	ECL Scenario	Assigned Probabilities %	2022 %	2023 %	2024 %
Retail					
EUR/RON	Baseline	50	4.94	4.99	5.06
	Upside	25	4.87	4.4	4.73
	Downside	25	5.02	5.73	5.47
ROBOR 3M	Baseline	50	6.18	7.73	6.72
	Upside	25	5.76	3.91	4.6
	Downside	25	6.97	14.86	10.68
Unemployment	Baseline	50	5.4	5.18	4.73
	Upside	25	5.31	4.38	4.29
	Downside	25	5.65	7.47	6
GDP growth %	Baseline	50	4.5	2.3	4.5
	Upside	25	4.7	4.06	5.48
	Downside	25	4.28	0.34	3.41

31 December 2021 Key Drivers	ECL Scenario	Assigned Probabilities %	2021 %	2022 %	2023 %
Retail					
EUR/RON	Baseline	50	4.9	5	5
	Upside	25	4.9	4.5	4.7
	Downside	25	5	5.7	5.4
ROBOR 3M	Baseline	50	2.4	3.9	3.9
	Upside	25	2	0.3	1.9
	Downside	25	2.5	4.9	4.4
Unemployment	Baseline	50	5.4	5.1	4.6
	Upside	25	5.3	4.2	4.0
	Downside	25	5.6	7.1	5.6
GDP growth %	Baseline	50	7.5	4.7	4.5
	Upside	25	7.7	6.5	5.5
	Downside	25	7.1	1.2	2.6

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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% – 0.18%]
1	Excellent Credit Standing	[0.18% – 0.35%)
1.5	Very Good Credit Standing	[0.35% – 0.70%)
2	Good Credit Standing	[0.70% – 1.40%)
2.5	Sound Credit Standing	[1.40% – 2.75%)
3	Acceptable Credit Standing	[2.75% – 5.35%)
3.5	Marginal Credit Standing	[5.35% – 10.14%)
4	Weak Credit Standing	[10.14% – 18.40%)
4.5	Very Weak Credit Standing	[18.40% – 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.*

Non-retail: Corporate

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	[0.04% – 0.07%)	Strong
3A, 3B, 3C	Very Good Credit Standing	[0.09% – 0.16%)	Strong
4A, 4B, 4C	Good Credit Standing	[0.22% – 0.41%)	Good
5A, 5B, 5C	Sound Credit Standing	[0.55% – 1.01%)	Good
6A, 6B, 6C	Acceptable Credit Standing	[1.3% – 2.52%)	Satisfactory
7A, 7B, 7C	Marginal Credit Standing	[3.40% – 6.28%)	Satisfactory
8A, 8B, 8C	Weak Credit Standing	[8.52% – 15.68%)	Substandard
9A, 9B, 9C	Very Weak Credit Standing	[21.20% – 53.75%)	Substandard
Non-performing			
10	Default	100%	Impaired

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Non-retail: Small and medium business

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	[0.04% – 0.07%)	Strong
3A, 3B, 3C	Very Good Credit Standing	[0.09% – 0.16%)	Strong
4A, 4B, 4C	Good Credit Standing	[0.22% – 0.41%)	Good
5A, 5B, 5C	Sound Credit Standing	[0.55% – 1.01%)	Good
6A, 6B, 6C	Acceptable Credit Standing	[1.36% – 2.58%)	Satisfactory
7A, 7B, 7C	Marginal Credit Standing	[3.42% – 6.29%)	Satisfactory
8A, 8B, 8C	Weak Credit Standing	[8.31% – 15.86%)	Substandard
9A, 9B, 9C	Very Weak Credit Standing	[21.27% – 47.40%)	Substandard
Non-performing			
10	Default	100%	Impaired

The tables below show the internal credit rating grade by type of customers:

Non-retail: 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	[0.04% – 0.07%]	Strong
3A, 3B, 3C	Very Good Credit Standing	[0.1% – 0.18%]	Strong
4A, 4B, 4C	Good Credit Standing	[0.24% – 0.45%]	Good
5A, 5B, 5C	Sound Credit Standing	[0.61% – 1.1%]	Good
6A, 6B, 6C	Acceptable Credit Standing	[1.5% – 2.8%]	Satisfactory
7A, 7B, 7C	Marginal Credit Standing	[3.78% – 6.9%]	Satisfactory
8A, 8B, 8C	Weak Credit Standing	[9.36% – 17.09%]	Substandard
9A, 9B, 9C	Very Weak Credit Standing	[23.28% – 48.94%]	Substandard
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	[0.07% – 0.95%)	Good
6.2	Good project risk profile - low risk	[1.24% – 3.02%)	Satisfactory
6.3	Acceptable risk profile - average risk	[4.14% – 9.62%)	Satisfactory
6.4	Poor project risk profile - high risk	[24.12% – 100%)	Substandard
Non-performing			
6.5	Default	100%	Impaired

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below show the internal credit rating grade by type of customers:

Non-retail: Insurance

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	[0.04% – 0.05%)	Strong
2	Good Credit Standing	[0.05% – 0.09%)	Strong
2.5	Sound Credit Standing	[0.09% – 0.16%)	Strong
3	Acceptable Credit Standing	[0.16% – 0.33%)	Strong
3.5	Marginal Credit Standing	[0.33% – 0.69%)	Satisfactory
4	Weak Credit Standing	[0.69% – 2.97%)	Satisfactory
4.5	Very Weak Credit Standing	[2.97% – 100%)	Substandard
Non-performing			
5	Default	100%	Impaired

Non-retail: Sovereign

Internal rating grade	Internal rating description	12 month Basel III PD range	Internal rating grade mapping
Performing			
1A, 1B, 1C	Minimal Risk	[0.02% – 0.03%)	Excellent
2A, 2B, 2C	Excellent Credit Standing	[0.04% – 0.06%)	Strong
3A, 3B, 3C	Very Good Credit Standing	[0.09% – 0.16%)	Strong
4A, 4B, 4C	Good Credit Standing	[0.22% – 0.40%)	Good
5A, 5B, 5C	Sound Credit Standing	[0.55% – 1.01%)	Good
6A, 6B, 6C	Acceptable Credit Standing	[1.37% – 2.52%)	Satisfactory
7A, 7B, 7C	Marginal Credit Standing	[3.42% – 6.30%)	Satisfactory
8A, 8B, 8C	Weak Credit Standing	[8.55% – 15.74%)	Substandard
9A, 9B, 9C	Very Weak Credit Standing	[21.36% – 39.35%)	Substandard
Non-performing			
10	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% – 0.03%)	Strong
C2	Very strong Credit Standing	[0.03% – 0.04%)	Strong
C3	Strong Credit Standing	[0.04% – 0.05%)	Strong
C4	Good Credit Standing	[0.05% – 0.09%)	Strong
C5	Quite good Credit Standing	[0.09% – 0.27%)	Strong
C6	Satisfactory Credit Standing	[0.27% – 1.20%)	Strong
C7	Adequate Credit Standing	[1.20% – 3.5%)	Good
C8	Highly questionable Credit Standing	[3.5% – 7.23%)	Satisfactory
C9	Doubtful/high default risk	[7.23% – 11.14%)	Substandard
Non-performing			
10	Insolvency, loss	100%	Impaired

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below show the internal credit rating grade by type of customers:

Non-retail: Local and regional government

Internal rating grade	Internal rating description	12 month Basel III PD range	Internal rating grade mapping
Performing			
1A, 1B, 1C	Minimal Risk	[0.02% – 0.03%)	Excellent
2A, 2B, 2C	Excellent Credit Standing	[0.04% – 0.06%)	Strong
3A, 3B, 3C	Very Good Credit Standing	[0.09% – 0.16%)	Strong
4A, 4B, 4C	Good Credit Standing	[0.22% – 0.40%)	Good
5A, 5B, 5C	Sound Credit Standing	[0.55% – 1.01%)	Good
6A, 6B, 6C	Acceptable Credit Standing	[1.37% – 2.52%)	Satisfactory
7A, 7B, 7C	Marginal Credit Standing	[3.42% – 6.30%)	Satisfactory
8A, 8B, 8C	Weak Credit Standing	[8.55% – 15.74%)	Substandard
9A, 9B, 9C	Very Weak Credit Standing	[21.36% – 39.35%)	Substandard
Non-performing			
10	Default	100%	Impaired

Non-performing exposure

Non-retail
Non-performing exposures are the exposures that satisfy either or both of the following criteria:
a) material exposures which are more than 90 days past-due;
b) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or the number of days past due.

The materiality threshold of the outstanding credit obligations, related to non-credit exposures, is:
a) the level of the relative component of the materiality threshold is 1%;
b) the level of the absolute component of the materiality threshold is 1.000 RON.

Retail
The definition of non-performing exposures has been harmonized with the definition of defaulted exposures. Thus, an exposure is considered non-performing if it is classified as being in default, namely if any of the following criteria is met:
- material exposures which are more than 90 days past-due;
- the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or the number of days past due.

The materiality threshold of the outstanding credit obligations consists in an absolute and a relative component:
- the level of the relative component is 1%;
- the level of the absolute component is 150 RON.

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.

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;

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

- 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 behavior 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 reports: the Bank has to comply with a regulatory liquidity indicator which sets minimum liquidity risk standards at banking system level and also with the European liquidity requirements;
- 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.

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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as at 31 December 2022 as follows:

Group

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	8,281,451	–	–	–	–	8,281,451
Loans and advances to banks at amortized cost	187,267	50,130	84,897	–	1,249	323,543
Derivative assets held for risk management	–	1,927	11,854	–	–	13,781
Trading assets	–	13,294	44,107	21,443	14,458	93,302
Financial assets mandatorily at fair value through profit or loss	9,671	3,753	23,156	117,355	30,523	184,458
Investment securities at fair value through other comprehensive income	11,016	761,876	1,769,124	563,382	–	3,105,398
Equity instruments at fair value through other comprehensive income	–	–	–	–	71,488	71,488
Loans and advances to customers at amortized cost	3,798,637	8,591,910	16,112,826	11,285,465	62,731	39,851,569
Derivatives Asset – Hedge accounting	–	–	5,137	3,218	–	8,355
Investment securities at amortized cost	630	2,207,378	4,679,486	2,313,360	–	9,200,854
Other assets	290,746	129	–	–	–	290,875
Total financial assets	**12,579,418**	**11,630,397**	**22,730,587**	**14,304,223**	**180,449**	**61,425,074**
Financial liabilities						
Trading liabilities	13,797	1,649	12,269	–	–	27,715
Derivative liabilities held for risk management	2,804	2,122	934	–	–	5,860
Deposits from banks	578,106	–	–	–	–	578,106
Deposits from customers	43,890,330	4,847,983	384,793	110,462	–	49,233,568
Loans from banks and other financial institutions	–	36,005	87,386	261,947	4,947	390,285
Fair value changes of the hedged items – liability	11,398	–	–	–	–	11,398
Debt securities issued	–	–	2,175,977	1,711,831	–	3,887,808
Subordinated liabilities	–	–	124,375	199,351	–	323,726
Other liabilities	1,083,148	62,632	172,663	3,136	–	1,321,579
Total financial liabilities	**45,579,583**	**4,950,391**	**2,958,397**	**2,286,727**	**4,947**	**55,780,045**
Maturity surplus/(shortfall)	**(33,000,165)**	**6,680,006**	**19,772,190**	**12,017,496**	**175,502**	**5,645,029**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as at 31 December 2021 as follows:

Group

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	11,288,325	–	–	–	–	11,288,325
Loans and advances to banks at amortized cost	121,811	50,053	1,096,818	247,513	2,227	1,518,422
Derivative assets held for risk management	8,305	–	–	–	–	8,305
Trading assets	18,914	43,292	18,161	49,752	5,055	135,174
Financial assets mandatorily at fair value through profit or loss	10,516	9,160	37,302	157,394	43,536	257,908
Investment securities at fair value through other comprehensive income	25,747	511,070	2,528,730	595,197	–	3,660,744
Equity instruments at fair value through other comprehensive income	–	–	–	–	49,766	49,766
Loans and advances to customers at amortized cost	3,273,371	6,375,422	14,056,285	9,268,032	2	32,973,112
Investment securities at amortized cost	253,161	236,560	5,753,062	2,307,681	–	8,550,464
Other assets	264,594	90	–	–	–	264,684
Total financial assets	**15,264,743**	**7,225,647**	**23,490,358**	**12,625,569**	**100,586**	**58,706,904**
Financial Liabilities						
Trading liabilities	20,861	–	–	–	–	20,861
Derivative liabilities held for risk management	3,268	–	–	–	–	3,268
Deposits from banks	357,562	–	–	–	–	357,562
Deposits from customers	46,058,892	3,361,121	235,660	46,904	–	49,702,577
Loans from banks and other financial institutions	–	34,507	101,752	202,880	5,938	345,077
Derivatives – hedge accounting	–	–	–	8,298	–	8,298
Fair value changes of the hedged items – liability	–	–	–	3,466	–	3,466
Debt securities issued	–	–	401,324	1,717,251	–	2,118,575
Subordinated liabilities		–	124,424	198,910	–	323,334
Other liabilities	819,051	67,567	179,909	16,243	–	1,082,770
Total financial liabilities	**47,259,634**	**3,463,195**	**1,043,069**	**2,193,952**	**5,938**	**53,965,788**
Maturity surplus/(shortfall)	**(31,994,891)**	**3,762,452**	**22,447,289**	**10,431,617**	**94,648**	**4,741,116**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as of 31 December 2022 as follows:

Bank

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	8,280,853	-	-	-	-	8,280,853
Loans and advances to banks at amortized cost	75,446	50,130	149,370	11,905	-	286,851
Derivative assets held for risk management	-	1,927	11,854	-	-	13,781
Trading assets	-	13,294	44,107	21,443	14,458	93,302
Financial assets mandatorily at fair value through profit or loss	9,671	3,753	23,156	117,355	16,478	170,413
Investment securities at fair value through other comprehensive income	1,123	761,876	1,769,125	563,382	-	3,095,506
Equity instruments at fair value through other comprehensive income	-	-	-	-	71,488	71,488
Loans and advances to customers at amortized cost	3,622,101	8,543,918	16,233,703	10,967,793	-	39,367,515
Derivatives Asset – Hedge accounting	-	-	5,137	3,218	-	8,355
Investment securities at amortized cost	599	2,153,812	4,662,031	2,313,360	-	9,129,802
Other assets	268,432	-	-	-	-	268,432
Total financial assets	**12,258,225**	**11,528,710**	**22,898,483**	**13,998,456**	**102,424**	**60,786,298**
Financial Liabilities						
Trading liabilities	13,797	1,649	12,269	-	-	27,715
Derivative liabilities held for risk management	2,804	2,122	934	-	-	5,860
Deposits from banks	578,106	-	-	-	-	578,106
Deposits from customers	43,877,470	4,909,719	383,678	110,451	-	49,281,318
Loans from banks and other financial institutions	-	-	3,943	-	-	3,943
Fair value changes of the hedged items – liability	11,398	-	-	-	-	11,398
Debt securities issued	-	-	2,175,977	1,711,831	-	3,887,808
Subordinated liabilities	-	-	124,375	199,303	-	323,678
Other liabilities	1,043,802	61,800	171,649	3,103	-	1,280,354
Total financial liabilities	**45,527,377**	**4,975,290**	**2,872,825**	**2,024,688**	**-**	**55,400,180**
Maturity surplus/(shortfall)	**(33,269,152)**	**6,553,420**	**20,025,658**	**11,973,768**	**102,424**	**5,386,118**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as of 31 December 2021 as follows:

Bank

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	11,285,168	–	–	–	–	11,285,168
Loans and advances to banks at amortized cost	53,065	50,053	1,142,262	259,494	–	1,504,874
Derivative assets held for risk management	8,305	–	–	–	–	8,305
Trading assets	18,914	43,292	18,161	49,752	5,055	135,174
Financial assets mandatorily at fair value through profit or loss	10,517	9,160	37,302	157,394	29009	243,382
Investment securities at fair value through other comprehensive income	162	460,916	2,507,541	595,197	–	3,563,816
Equity instruments at fair value through other comprehensive income	–	–	–	–	49,766	49,766
Loans and advances to customers at amortized cost	3,221,432	6,289,968	13,746,882	9,241,472	–	32,499,754
Investment securities at amortized cost	246,979	177,559	5,682,136	2,307,681	–	8,414,355
Other assets	246,614	–	–	–	–	246,614
Total financial assets	**15,091,156**	**7,030,948**	**23,134,284**	**12,610,990**	**83,830**	**57,951,208**
Financial Liabilities						
Trading liabilities	20,861	–	–	–	–	20,861
Derivative liabilities held for risk management	3,268	–	–	–	–	3,268
Deposits from banks	357,562	–	–	–	–	357,562
Deposits from customers	45,975,418	3,387,097	232,024	46,870	–	49,641,409
Loans from banks and other financial institutions	–	–	8,611	–	–	8,611
Derivatives – hedge accounting	–	–	–	8,298	–	8,298
Fair value changes of the hedged items – liability	–	–	–	3,466	–	3,466
Debt securities issued	–	–	401,324	1,717,251	–	2,118,575
Subordinated liabilities		–	124,424	198,910	–	323,334
Other liabilities	815,058	63,666	178,361	20,345	–	1,077,430
Total financial liabilities	**47,172,167**	**3,450,763**	**944,744**	**1,995,140**	**–**	**53,562,814**
Maturity surplus/(shortfall)	**(32,081,011)**	**3,580,185**	**22,189,540**	**10,615,850**	**83,830**	**4,388,394**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 for the first band increased in 2022 by RON 1,005,274 thousand compared to 2021, being mainly determined by the reduction of cash and cash with Central Bank by RON 3,006,874 thousand compared to 2021, partially compensated by the increase in loans and advances to customers in the first maturity band (by RON 525,266 thousand) and by the reduction of deposits from customers in the first maturity band by RON 2,168,562 thousand).

As for the other maturity bands, on the 3 months–1 year tenor, the liquidity surplus increased by RON 2,917,554 thousand, as a result of the increase in loans and advances to customers on this bucket by RON 2,216,488 thousand. On the maturity band of 1–5 years, the liquidity surplus decreased by RON 2,675,099 thousand, the main factor of influence being represented by the debt securities issued which increased by RON 1,774,653 thousand on this maturity band. On the maturity band of over 5 years, the liquidity surplus increased by RON 1,585,879 thousand, being mainly influenced by the increase in loans and advances to customers by RON 2,017,433 thousand on this maturity band.

Bank:
The negative liquidity gap for the first band increased in 2022 by RON 1,188,141 thousand compared to 2021, being mainly determined by the reduction of cash and cash with Central Bank by RON 3,004,315 thousand compared to 2021, partially compensated by the increase in loans and advances to customers in the first maturity band (by RON 400,669 thousand) and by the reduction of deposits from customers on the first maturity band by RON 2,097,948 thousand).

As for the other maturity bands, on the 3 month–1 year band, the liquidity surplus increased by RON 2,973,235 thousand, as a result of the increase in loans and advances to customers on this band by RON 2,253,950 thousand. On the maturity band of 1–5 years, the liquidity surplus decreased by RON 2,163,882 thousand, the main factor of influence being represented by the debt securities issued which increased by RON 1,774,653 thousand on this maturity band. On the maturity band of over 5 years, the liquidity surplus increased by RON 1,357,918 thousand, being mainly influenced by the increase in loans and advances to customers by RON 1,726,321 thousand on this maturity band.

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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2022 are as follows:

Group

In RON thousand	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial Liabilities						
Net settled trading liabilities	–	18	561	134	–	713
Gross settled trading liabilities	111,978	215,069	1,256,213	–	–	1,583,260
Net settled derivative liabilities held for risk management	–	–	2,038	934	–	2,972
Deposits from banks	577,621	–	485	–	–	578,106
Deposits from customers	40,503,376	3,355,102	5,034,093	408,549	122,742	49,423,862
Loans from banks	6	33,101	72,640	248,694	4,947	359,388
Debt securities issued	–	13,510	254,794	3,177,147	1,842,116	5,287,567
Subordinated liabilities	1,024	3,152	14,875	190,671	218,464	428,186
Lease liabilities	9,646	14,596	61,322	170,648	3,079	259,291
Total financial liabilities	**41,203,651**	**3,634,548**	**6,697,021**	**4,196,777**	**2,191,348**	**57,923,345**
Undrawn commitments	2,063,556	962,225	4,968,377	6,113,124	2,030,223	16,137,505
Financial guarantees and Letters of credit	166,956	1,028,096	1,801,687	910,396	636,661	4,543,796
Other financial guarantees	1,297	3,131	47,125	11,305	11,228	74,086
Total commitments and guarantees	**2,231,809**	**1,993,452**	**6,817,189**	**7,034,825**	**2,678,112**	**20,755,387**
Contractual amounts receivable	–	1,089,131	92,692	–	–	1,181,823
Contractual amounts payable	–	(1,091,671)	(92,345)	–	–	(1,184,016)
Gross settled derivative liabilities held for risk management	**–**	**(2,540)**	**347**	**–**	**–**	**(2,193)**

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2021 are as follows:

Group

In RON thousand	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial Liabilities						
Net settled trading liabilities	19	212	605	175	–	1,011
Gross settled trading liabilities	698,401	1,292,956	1,149,354	28,526	–	3,169,237
Net settled derivative liabilities held for risk management	(35)	–	774	1,345	229	2,313
Deposits from banks	357,081	–	485	–	–	357,566
Deposits from customers	44,153,760	1,902,909	3,379,596	238,075	46,980	49,721,320
Loans from banks	1,883	34,507	95,637	207,112	5,938	345,077
Debt securities issued	–	7,656	83,129	801,508	1,899,538	2,791,831
Subordinated liabilities	1,047	2,251	9,794	170,403	221,019	404,514
Lease liabilities	7,394	17,099	66,706	178,944	20,345	290,488
Total financial liabilities	**45,219,550**	**3,257,590**	**4,786,080**	**1,626,088**	**2,194,049**	**57,083,357**
Undrawn commitments	2,266,919	726,600	3,684,691	5,212,196	1,505,430	13,395,836
Financial guarantees and Letters of credit	668,696	330,471	1,467,839	781,039	252,764	3,500,809
Other financial guarantees	10,093	8,792	44,741	8,495	7,511	79,632
Total commitments and guarantees	**2,945,708**	**1,065,863**	**5,197,271**	**6,001,730**	**1,765,705**	**16,976,277**
Contractual amounts receivable	655,268	50,000	231,740	56,360	–	993,368
Contractual amounts payable	(655,213)	(49,910)	(224,859)	(55,256)	–	(985,238)
Gross settled derivative liabilities held for risk management	**55**	**90**	**6,881**	**1,104**	**–**	**8,130**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2022 are as follows:

Bank

In RON thousand	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial Liabilities						
Net settled trading liabilities	–	18	561	134	–	713
Gross settled trading liabilities	111,978	215,069	1,256,213	–	–	1,583,260
Net settled derivative liabilities held for risk management	–	–	2,038	934	–	2,972
Deposits from banks	577,621	–	485	–	–	578,106
Deposits from customers	40,490,611	3,417,276	5,033,560	407,434	122,731	49,471,612
Loans from banks	6	–	–	3,937	–	3,943
Debt securities issued	–	13,510	254,794	3,177,147	1,842,116	5,287,567
Subordinated liabilities	1,024	3,152	14,875	190,671	218,416	428,138
Lease liabilities	9,646	14,596	61,322	170,321	3,079	258,964
Total financial liabilities	**41,190,886**	**3,663,621**	**6,623,848**	**3,950,578**	**2,186,342**	**57,615,275**
Undrawn commitments	2,063,556	962,789	4,955,966	6,205,630	2,029,186	16,217,127
Financial guarantees and Letters of credit	166,956	1,028,096	1,801,687	910,396	636,661	4,543,796
Other financial guarantees	1,297	3,131	47,125	11,305	11,228	74,086
Total commitments and guarantees	**2,231,809**	**1,994,016**	**6,804,778**	**7,127,331**	**2,677,075**	**20,835,009**
Contractual amounts receivable	–	1,089,131	92,692	–	–	1,181,823
Contractual amounts payable	–	(1,091,671)	(92,345)	–	–	(1,184,016)
Gross settled derivative liabilities held for risk management	**–**	**(2,540)**	**347**	**–**	**–**	**(2,193)**

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2021 are as follows:

Bank

In RON thousand	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial Liabilities						
Net settled trading liabilities	19	212	605	175	–	1,011
Gross settled trading liabilities	698,401	1,292,956	1,149,354	28,526	–	3,169,237
Net settled derivative liabilities held for risk management	(35)	–	774	1,345	229	2,313
Deposits from banks	357,081	–	485	–	–	357,566
Deposits from customers	44,070,930	1,929,602	3,378,235	234,439	46,946	49,660,152
Loans from banks	1,883	–	2,496	4,232	–	8,611
Debt securities issued	–	7,656	83,129	801,508	1,899,538	2,791,831
Subordinated liabilities	1,047	2,251	9,794	170,403	221,019	404,514
Lease liabilities	7,394	16,339	63,666	178,359	20,345	286,103
Total financial liabilities	**45,136,720**	**3,249,016**	**4,688,538**	**1,418,987**	**2,188,077**	**56,681,338**
Undrawn commitments	2,266,919	726,937	3,674,313	5,165,000	1,722,697	13,555,866
Financial guarantees and Letters of credit	668,696	330,471	1,467,839	781,039	252,786	3,500,831
Other financial guarantees	10,093	8,792	44,741	8,495	7,511	79,632
Total commitments and guarantees	**2,945,708**	**1,066,200**	**5,186,893**	**5,954,534**	**1,982,994**	**17,136,329**
Contractual amounts receivable	655,268	50,000	231,740	56,360	–	993,368
Contractual amounts payable	(655,213)	(49,910)	(224,859)	(55,256)	–	(985,238)
Gross settled derivative liabilities held for risk management	**55**	**90**	**6,881**	**1,104**	**–**	**8,130**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 2022, 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 calculates VaR 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 figures and limits utilization are submitted daily to Group management and monthly summaries are submitted to ALCO.

A summary of the VaR position of the Group's trading portfolios at December 31, 2022 and 2021 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
2022				
Foreign currency risk*	79	51	394	7
Interest-rate risk	185	716	3,267	185
Total	**264**	**767**	**3,661**	**192**
2021				
Foreign currency risk*	145	304	813	32
Interest-rate risk	301	332	1,062	38
Total	**446**	**636**	**1,875**	**70**

* 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, 2022 and 2021 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
2022				
Foreign currency risk*	78	51	394	7
Interest-rate risk	185	716	3,267	185
Total	**263**	**767**	**3,661**	**192**
2021				
Foreign currency risk*	143	304	813	32
Interest-rate risk	301	332	1,062	38
Total	**444**	**636**	**1,875**	**70**

* Foreign currency risk is calculated based on the overall foreign exchange position of the Bank.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 categorized 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

A summary of the Group's interest rate gap position on non-trading portfolios as at 31 December 2022 is as follows:

Group

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	6,729,230	–	–	–	1,552,221	8,281,451
Loans and advances to banks at amortized cost	323,538	–	–	–	5	323,543
Financial assets mandatorily at fair value through profit or loss	27,751	122,891	3,057	236	30,523	184,458
Investment securities at fair value through other comprehensive income	110,033	868,477	1,683,624	443,264	–	3,105,398
Loans and advances to customers at amortized cost	23,559,946	7,152,632	7,801,863	1,337,126	2	39,851,569
Investment securities at amortized cost	43,498	2,299,158	4,600,387	2,257,811	–	9,200,854
	30,793,996	**10,443,158**	**14,088,931**	**4,038,437**	**1,582,751**	**60,947,273**
Liabilities						
Deposits from banks	578,106	–	–	–	–	578,106
Deposits from customers	20,372,360	9,193,625	19,557,121	110,462	–	49,233,568
Loans from banks and other financial institutions	306,459	27,082	56,744	–	–	390,285
Debt securities issued	481,374	84,423	2,116,584	1,205,427	–	3,887,808
Subordinated liabilities	200,041	–	123,685	–	–	323,726
	21,938,340	**9,305,130**	**21,854,134**	**1,315,889**	**–**	**54,413,493**
Effect of derivatives held for risk management purposes	158,036	25,000	(149,993)	(29,684)	–	3,359
Net position	**9,013,692**	**1,163,028**	**(7,915,196)**	**2,692,864**	**1,582,751**	**6,537,139**

A summary of the Group's interest rate gap position on non-trading portfolios as at 31 December 2021 is as follows:

Group

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	7,293,323	–	–	–	3,995,002	11,288,325
Loans and advances to banks at amortized cost	1,518,411	–	–	–	11	1,518,422
Financial assets mandatorily at fair value through profit or loss	97,598	116,279	407	89	43,535	257,908
Investment securities at fair value through other comprehensive income	151,490	617,631	2,457,653	433,970	–	3,660,744
Loans and advances to customers at amortized cost	18,866,822	6,593,413	6,659,914	852,961	2	32,973,112
Investment securities at amortized cost	287,569	319,578	5,680,048	2,263,269	–	8,550,464
	28,215,213	**7,646,901**	**14,798,022**	**3,550,289**	**4,038,550**	**58,248,975**
Liabilities						
Deposits from banks	357,562	–	–	–	–	357,562
Deposits from customers	22,538,379	7,729,350	19,387,944	46,904	–	49,702,577
Loans from banks and other financial institutions	236,624	35,355	73,098	–	–	345,077
Debt securities issued	480,399	33,455	399,756	1,204,965	–	2,118,575
Subordinated liabilities	199,631	–	123,703	–	–	323,334
	23,812,595	**7,798,160**	**19,984,501**	**1,251,869**	**–**	**52,847,125**
Effect of derivatives held for risk management purposes	208,049	49,481	(174,369)	(79,170)	–	3,991
Net position	**4,610,667**	**(101,778)**	**(5,360,848)**	**2,219,250**	**4,038,550**	**5,405,841**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

A summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2022 is as follows:

Bank

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	6,728,647	–	–	–	1,552,206	8,280,853
Loans and advances to banks at amortized cost	286,851	–	–	–	–	286,851
Financial assets mandatorily at fair value through profit or loss	27,751	122,891	3,057	236	16,478	170,413
Investment securities at fair value through other comprehensive income	110,034	858,584	1,683,624	443,264	–	3,095,506
Loans and advances to customers at amortized cost	23,260,173	7,086,673	7,684,241	1,336,428	–	39,367,515
Investment securities at amortized cost	37,902	2,245,391	4,588,698	2,257,811	–	9,129,802
	30,451,358	**10,313,539**	**13,959,620**	**4,037,739**	**1,568,684**	**60,330,940**
Liabilities						
Deposits from banks	578,106	–	–	–	–	578,106
Deposits from customers	20,421,770	9,193,091	19,556,006	110,451	–	49,281,318
Loans from banks and other financial institutions	254	1,676	2,013	–	–	3,943
Debt securities issued	481,374	84,423	2,116,584	1,205,427	–	3,887,808
Subordinated liabilities	199,993	–	123,685	–	–	323,678
	21,681,497	**9,279,190**	**21,798,288**	**1,315,878**	**–**	**54,074,853**
Effect of derivatives held for risk management purposes	158,036	25,000	(149,993)	(29,684)	–	3,359
Net position	**8,927,897**	**1,059,349**	**(7,988,661)**	**2,692,177**	**1,568,684**	**6,259,446**

A summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2021 is as follows:

Bank

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	7,290,183	–	–	–	3,994,985	11,285,168
Loans and advances to banks at amortized cost	1,504,874	–	–	–	–	1,504,874
Financial assets mandatorily at fair value through profit or loss	97,598	116,279	407	89	29,009	243,382
Investment securities at fair value through other comprehensive income	125,906	567,476	2,436,464	433,970	–	3,563,816
Loans and advances to customers at amortized cost	18,625,475	6,523,349	6,508,564	842,366	–	32,499,754
Investment securities at amortized cost	281,388	260,576	5,609,122	2,263,269	–	8,414,355
	27,925,424	**7,467,680**	**14,554,557**	**3,539,694**	**4,023,994**	**57,511,349**
Liabilities						
Deposits from banks	357,562	–	–	–	–	357,562
Deposits from customers	22,482,242	7,727,989	19,384,308	46,870	–	49,641,409
Loans from banks and other financial institutions	1,408	2,977	4,226	–	–	8,611
Debt securities issued	480,399	33,455	399,756	1,204,965	–	2,118,575
Subordinated liabilities	199,631	–	123,703	–	–	323,334
	23,521,242	**7,764,421**	**19,911,993**	**1,251,835**	**–**	**52,449,491**
Effect of derivatives held for risk management purposes	208,049	49,481	(174,369)	(79,170)	–	3,991
Net position	**4,612,231**	**(247,260)**	**(5,531,805)**	**2,208,689**	**4,023,994**	**5,065,850**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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.

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 interest rate scenarios. 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 Increase	200 bp Decrease
At 31 December 2022	**405,684**	**452,893**
Average for the period	356,964	397,758
Minimum for the period	324,548	360,912
Maximum for the period	405,684	452,893
At 31 December 2021	**271,159**	**301,870**
Average for the period	251,488	276,752
Minimum for the period	176,708	192,685
Maximum for the period	364,044	413,413

An analysis of the Bank'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 Increase	200 bp Decrease
At 31 December 2022	**404,702**	**451,929**
Average for the period	353,427	393,987
Minimum for the period	321,157	357,271
Maximum for the period	404,702	451,929
At 31 December 2021	**262,827**	**292,954**
Average for the period	248,001	273,023
Minimum for the period	169,257	184,605
Maximum for the period	356,352	404,999

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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

Applied shock on Net Interest Income*	2022	2021
Parallel +200 bp	152	261
Parallel -200 bp	(377)	(434)
Steepening 5Y +200 bp	40	10
Flattening 5Y -200 bp	(46)	(43)
Flattening 1D +200 bp	113	252
Steepening 1D -200 bp	(329)	(385)
Maximum positive impact	285	300
Maximum negative impact	(446)	(468)

* 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 2022 and 2021 were as follows:

Currencies	Interest rate	31 December 2022	31 December 2021
RON	ROBOR 3 months	7.57%	3.01%
EUR	EURIBOR 3 months	2.16%	(0.57%)
EUR	EURIBOR 6 months	2.73%	(0.55%)
USD	LIBOR 6 months	5.14%	0.35%

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

IBOR reform

Under the IBOR reform and according to Regulation (EU) 2016/1011 of the European Parliament and of the Council on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, part of the existing reference rates (IBORs: Interbank Offered Rates) will be replaced with alternative risk-free rates.

IBORs are used to set interest rates on a wide range of financial products and contracts. Based on a recommendation of the FSB (Financial Stability Board), these interest rates were subjected to an extensive analysis and a reform of the relevant IBORs was initiated.

For the European Union countries, this means that the underlying calculation method of the EURIBOR was reformed and that most LIBOR interest rates and the EONIA (Euro Over Night Index Average) were replaced by new interest rates on 1 January 2022.

In regard to Libor CHF and Eonia, European Commission issued on October 22, 2021 two new regulations (Regulation (EU) 2021/1847 on the designation of a statutory replacement for certain settings of CHF LIBOR and Regulation and (EU) 2021/1848 on the designation of a replacement for the benchmark Euro overnight index average) establishing through law the replacement rates and margin adjustments for Libor CHF rates and EONIA for the existing contracts (including loans).

Regarding USD LIBOR, interest rates on terms 1w and 2m were discontinued on 1 January 2022, while all other terms are expected to be available until 30 June 2023. There is currently no fixed timeframe for the replacement of the reformed EURIBOR. It can be assumed that there will be no replacement in the immediate future.

The replacement of the reference interest rates on the legacy contracts were performed either though the law (Libor CHF and Eonia) either by amendments which regulate the measures to be taken in circumstances where a reference interest rate is replaced by another reference interest rate. In this context, the amendments provide practical relief for modifications that are directly attributable to the IBOR reform and are carried out on an economically equivalent basis.

The Bank began preparing for the reform in 2020 to ensure a smooth transition to the new risk-free interest rates. This was carried out in specific project and in the ongoing operations of the affected areas, mostly treasury, risk management, customer management, accounting and legal.

Management and supervisory board members were regularly informed about the progress of the relevant processes and the associated risks. The replacement of most reference interest rates on 1 January 2022 did not have any major implications. For the replacement of the remaining USD LIBOR interest rates, which are expected to be no longer available from 30 June 2023, the corresponding preparatory steps and transitional work were included in the regular operations of the affected areas.

Management and supervisory board members are informed of required actions and corresponding risks where necessary and in the event of major changes in assessments and framework conditions. The Bank has IBOR-related positions particularly in the field of loans and deposits. For preparing the transition, information on the date and methods of the transition were analyzed and necessary adjustments to contracts, systems and processes were identified. The most relevant inherent risks in this context include strategic business risks, legal risks, operational risks.

The following table shows the carrying amounts of the non-derivative financial assets and liabilities that contain a contractually agreed reference interest rate that will be replaced:

Amounts in RON thousands	Linked to USD LIBOR
Loans and advances to customers	263,596
Deposits from customers	3,641

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The following table shows the average interest rates per annum obtained or offered by the Group for its interest-earning assets and interest-bearing liabilities during the 2022 financial year:

Group

	Average interest rate		
	RON	EUR	USD
Assets			
Current accounts with National Bank of Romania	0.43%	0.00%	0.04%
Loans and advances to banks at amortized cost	3.93%	(0.02%)	1.54%
Trading assets	3.98%	0.68%	0.00%
Financial assets mandatorily at fair value through profit or loss	7.51%	5.67%	N/A
Investment securities at fair value through other comprehensive income	3.28%	0.82%	N/A
Loans and advances to customers at amortized cost	6.04%	1.69%	1.50%
Investment securities at amortized cost	4.20%	1.34%	N/A
Liabilities			
Deposits from banks	4.88%	(0.03%)	0.00%
Deposits from customers	1.21%	0.10%	0.11%
Loans from banks and other financial institutions	0.94%	0.00%	N/A
Debt securities issued	3.87%	N/A	N/A
Subordinated liabilities	N/A	4.24%	N/A

The following table shows the interest rates per annum obtained or offered by the Group for its interest-earning assets and interest-bearing liabilities during the 2021 financial year:

Group

	Average interest rate		
	RON	EUR	USD
Assets			
Current accounts with National Bank of Romania	0.10%	0.00%	0.02%
Loans and advances to banks at amortized cost	1.37%	(0.47)%	0.07%
Trading assets	3.41%	1.12%	0.00%
Financial assets mandatorily at fair value through profit or loss	4.57%	5.38%	N/A
Investment securities at fair value through other comprehensive income	3.03%	0.70%	N/A
Loans and advances to customers at amortized cost	4.66%	1.30%	1.35%
Investment securities at amortized cost	3.87%	1.28%	N/A
Liabilities			
Deposits from banks	1.06%	0.00%	0.00%
Deposits from customers	0.44%	0.14%	0.00%
Loans from banks and other financial institutions	0.33%	0.00%	N/A
Debt securities issued	3.87%	N/A	N/A
Subordinated liabilities	N/A	4.09%	N/A

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The following table shows the average interest rates per annum obtained or offered by the Bank for its interest-earning assets and interest-bearing liabilities during the 2021 financial year:

Bank

	Average interest rate		
	RON	EUR	USD
Assets			
Current accounts with National Bank of Romania	0.43%	0.00%	0.04%
Trading assets	3.93%	(0.02)%	1.54%
Loans and advances to banks at amortized cost	3.98%	0.68%	0.00%
Financial assets mandatorily at fair value through profit or loss	7.51%	5.67%	N/A
Investment securities at fair value through other comprehensive income	3.28%	0.82%	N/A
Loans and advances to customers at amortized cost	6.04%	1.69%	1.50%
Investment securities at amortized cost	4.20%	1.34%	N/A
Liabilities			
Deposits from banks	4.88%	(0.03)%	0.00%
Deposits from customers	1.21%	0.10%	0.11%
Loans from banks and other financial institutions	0.94%	0.00%	N/A
Debt securities issued	3.87%	N/A	N/A
Subordinated liabilities	N/A	4.24%	N/A

The following table shows the average interest rates per annum obtained or offered by the Bank for its interest-earning assets and interest-bearing liabilities during the 2021 financial year:

Bank

	Average interest rate		
	RON	EUR	USD
Assets			
Current accounts with National Bank of Romania	0.10%	0.00%	0.02%
Trading assets	1.37%	(0.47)%	0.07%
Loans and advances to banks at amortized cost	3.41%	1.12%	0.00%
Financial assets mandatorily at fair value through profit or loss	4.57%	5.38%	N/A
Investment securities at fair value through other comprehensive income	3.03%	0.70%	N/A
Loans and advances to customers at amortized cost	4.66%	1.30%	1.35%
Investment securities at amortized cost	3.87%	1.28%	N/A
Liabilities			
Deposits from banks	1.06%	0.00%	0.00%
Deposits from customers	0.44%	0.14%	0.00%
Loans from banks and other financial institutions	0.33%	0.00%	N/A
Debt securities issued	3.87%	N/A	N/A
Subordinated liabilities	0.00%	4.09%	N/A

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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.

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2022 are presented below:

Group

In RON thousand	RON	EUR	USD	Other	Total
Monetary assets					
Cash and cash with Central Bank	4,967,135	123,002	3,186,188	5,126	8,281,451
Loans and advances to banks at amortized cost	138,541	10,926	171,553	2,523	323,543
Derivative assets held for risk management	2,155	–	11,626	–	13,781
Trading assets	88,893	–	4,409	–	93,302
Financial assets mandatorily at fair value through profit or loss	139,075	16,478	12,411	16,494	184,458
Investment securities at fair value through other comprehensive income	2,669,482	19	435,897	–	3,105,398
Equity instruments at fair value through other comprehensive income	17,374	54,114	–	–	71,488
Investment in subsidiaries, associates and joint ventures	32,891	–	–	–	32,891
Loans and advances to customers at amortized cost*	27,167,823	320,914	12,191,701	171,131	39,851,569
Derivatives Asset – hedge accounting	5,137	–	3,218	–	8,355
Investment securities at amortized cost	6,718,843	101,856	2,380,155	–	9,200,854
Other assets	219,664	1,445	69,763	3	290,875
Total monetary assets	**42,167,013**	**628,754**	**18,466,921**	**195,277**	**61,457,965**
Monetary liabilities					
Trading liabilities	26,997	-	718	-	27,715
Derivative liabilities held for risk management	2,972	170	2,718	-	5,860
Deposits from banks	478,447	114	98,805	740	578,106
Deposits from customers	30,279,314	2,260,638	16,372,739	320,877	49,233,568
Loans from banks and other financial institutions	2,178	-	388,106	1	390,285
Fair value changes of the hedged items – liability	11,398	-	-	-	11,398
Other liabilities	769,519	56,596	490,328	5,136	1,321,579
Debt securities issued	3,887,808	-	-	-	3,887,808
Subordinated liabilities	48	-	323,678	-	323,726
Total monetary liabilities	**35,458,681**	**2,317,518**	**17,677,092**	**326,754**	**55,780,045**
Net currency position	**6,708,332**	**(1,688,764)**	**789,829**	**(131,477)**	**5,677,920**

* Other currencies include mainly loans and advances to customers in CHF.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2021 are presented below:

Group

In RON thousand	RON	EUR	USD	Other	Total
Monetary assets					
Cash and cash with Central Bank	5,280,792	30,613	5,944,607	32,313	11,288,325
Loans and advances to banks at amortized cost	104,483	2,917	1,399,283	11,739	1,518,422
Derivative assets held for risk management	(48,066)	13	56,358	–	8,305
Trading assets	132,287	–	2,887	–	135,174
Financial assets mandatorily at fair value through profit or loss	198,578	29,009	12,424	17,897	257,908
Investment securities at fair value through other comprehensive income	2,888,933	181	771,630	–	3,660,744
Equity instruments at fair value through other comprehensive income	13,395	36,371	–	–	49,766
Investment in subsidiaries, associates and joint ventures	32,243	–	–	–	32,243
Loans and advances to customers at amortized cost*	24,000,864	511,821	8,253,488	206,939	32,973,112
Investment securities at amortized cost	6,175,123	45,035	2,330,306	–	8,550,464
Other assets	194,986	3,760	55,251	10,687	264,684
Total monetary assets	**38,973,618**	**659,720**	**18,826,234**	**279,575**	**58,739,147**
Monetary liabilities					
Trading liabilities	19,843	–	1,018	–	20,861
Derivative liabilities held for risk management	310	969	1,989	–	3,268
Deposits from banks	332,018	96	25,032	416	357,562
Deposits from customers	30,713,816	2,104,977	16,570,961	312,823	49,702,577
Loans from banks and other financial institutions	28,306	–	316,771	–	345,077
Derivatives – hedge accounting	5,295	–	3,003	–	8,298
Fair value changes of the hedged items – liability	3,466	–	–	–	3,466
Other liabilities	527,242	45,386	507,311	2,831	1,082,770
Debt securities issued	2,118,575	–	–	–	2,118,575
Subordinated liabilities	–	–	323,334	–	323,334
Total monetary liabilities	**33,748,871**	**2,151,428**	**17,749,419**	**316,070**	**53,965,788**
Net currency position	**5,224,747**	**(1,491,708)**	**1,076,815**	**(36,495)**	**4,773,359**

* Other currencies include mainly loans and advances to customers in CHF.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2022 are presented below:

Bank

In RON thousand	RON	EUR	USD	Other	Total
Monetary assets					
Cash and cash with Central Bank	4,966,543	122,999	3,186,185	5,126	8,280,853
Loans and advances to banks at amortized cost	103,440	9,935	170,953	2,523	286,851
Derivative assets held for risk management	2,155	–	11,626	–	13,781
Trading assets	88,893	–	4,409	–	93,302
Financial assets mandatorily at fair value through profit or loss	125,030	16,478	12,411	16,494	170,413
Investment securities at fair value through other comprehensive income	2,659,590	19	435,897	–	3,095,506
Equity instruments at fair value through other comprehensive income	17,374	54,114	–	–	71,488
Investment in subsidiaries, associates and joint ventures	106,871	–	–	–	106,871
Loans and advances to customers at amortized cost*	27,050,807	320,914	11,824,664	171,130	39,367,515
Deruvatives – hedge accounting	5,137	–	3,218	–	8,355
Investment securities at amortized cost	6,647,791	101,856	2,380,155	–	9,129,802
Other assets	210,795	1,445	56,188	4	268,432
Total monetary assets	**41,984,426**	**627,760**	**18,085,706**	**195,277**	**60,893,169**
Monetary liabilities					
Trading liabilities	26,997	–	718	–	27,715
Derivative liabilities held for risk management	2,972	170	2,718	–	5,860
Deposits from banks	478,447	114	98,805	740	578,106
Deposits from customers	30,314,904	2,260,639	16,384,898	320,877	49,281,318
Loans from banks and other financial institutions	3,943	–	–	–	3,943
Fair value changes of the hedged items – liability	11,398	–	–	–	11,398
Other liabilities	733,020	56,582	485,616	5,136	1,280,354
Debt securities issued	3,887,808	–	–	–	3,887,808
Subordinated liabilities	–	–	323,678	–	323,678
Total monetary liabilities	**35,459,489**	**2,317,505**	**17,296,433**	**326,753**	**55,400,180**
Net currency position	**6,524,937**	**(1,689,745)**	**789,273**	**(131,476)**	**5,492,989**

* Other currencies include mainly loans and advances to customers in CHF.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2021 are presented below:

Bank

In RON thousand	RON	EUR	USD	Other	Total
Monetary assets					
Cash and cash with Central Bank	5,277,641	30,610	5,944,604	32,313	11,285,168
Loans and advances to banks at amortized cost	91,660	2,895	1,398,580	11,739	1,504,874
Derivative assets held for risk management	(48,066)	13	56,358	–	8,305
Trading assets	132,287	–	2,887	–	135,174
Financial assets mandatorily at fair value through profit or loss	184,052	29,009	12,424	17,897	243,382
Investment securities at fair value through other comprehensive income	2,792,005	181	771,630	–	3,563,816
Equity instruments at fair value through other comprehensive income	13,395	36,371	–	–	49,766
Investment in subsidiaries, associates and joint ventures	126,520	–	–	–	126,520
Loans and advances to customers at amortized cost*	23,836,253	511,821	7,944,741	206,939	32,499,754
Investment securities at amortized cost	6,039,014	45,035	2,330,306	–	8,414,355
Other assets	183,528	3,760	48,638	10,688	246,614
Total monetary assets	**38,628,289**	**659,695**	**18,510,168**	**279,576**	**58,077,728**
Monetary liabilities					
Trading liabilities	19,843	–	1,018	–	20,861
Derivative liabilities held for risk management	310	969	1,989	–	3,268
Deposits from banks	332,018	96	25,032	416	357,562
Deposits from customers	30,644,974	2,104,977	16,578,635	312,823	49,641,409
Loans from banks and other financial institutions	8,611	–	–	–	8,611
Derivatives – hedge accounting	5,295	–	3,003	–	8,298
Fair value changes of the hedged items – liability	3,466	–	–	–	3,466
Other liabilities	527,255	45,372	501,972	2,831	1,077,430
Debt securities issued	2,118,575	–	–	–	2,118,575
Subordinated liabilities	–	–	323,334	–	323,334
Total monetary liabilities	**33,660,347**	**2,151,414**	**17,434,983**	**316,070**	**53,562,814**
Net currency position	**4,967,942**	**(1,491,719)**	**1,075,185**	**(36,494)**	**4,514,914**

* 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 behavior. 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 42)*.

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 2022 and 2021, being above the minimum required values. For actual capital ratios, refer to *Note 42*.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 amortized 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 34,905 thousand (2021: increased by RON 34,810 thousand) or decreased by RON 36,592 thousand (2021: decreased by RON 36,262 thousand).

Second scenario assumes PD variation of +/-5%. In this scenario the provision for loan impairment loss would have been increased by RON 19,031 thousand (2021: increased by 12,925 thousand RON) or decreased by RON 19,871 thousand (2021: decreased by RON 12,279 thousand).

Third scenario assumes for Non-Retail aggregation assumptions of the previous scenarios and for Retail assumes changes of forward looking scenario weights from 50/25/25 to 25/25/50. In this scenario the provision for loan impairment loss would have been increased by RON 30,282 thousand (2021: increased by RON 14,544 thousand) or decreased by RON 23,358 thousand (2021: decreased by RON 9,882 thousand).

Parameters change by +/-5% is done in relation to the values used in provision calculation for December 2022 figures (December 2021).

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;
- 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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.

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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Environmental, Social and Corporate Governance (ESG)

In 2021 the ESG governance structures were created to manage and supervise the integration of its principles (Environment, Social, Governance) in the activity of the Bank:
a) Raiffeisen Bank Sustainability Council;
b) Raiffeisen Bank's Sustainable Finance Commitee.

The sustainability objectives established in 2022 were:
a) developed in line with the Sustainability Strategy of the Raiffeisen Bank International Group;
b) set for each focus area of the Sustainability Strategy: Business, Human Resources, Impact on the environment and Society – Community Involvement and Corporate Volunteering;
c) established after consultations with the departments involved and address those areas where the Bank has an impact, at the same time proposing to align the business objectives with the sustainable development of society.

In January 2021, Raiffeisen Bank International became a signatory to the ONU Principles for Responsible Banking, an unique framework for a sustainable banking industry, developed through a partnership between banks around the world and the United Nations Environment Finance Initiative (UNEP FI). In the first year after it became a signatory, all the companies that are part of Raiffeisen Bank International Group went through a process of analyzing the impact of the portfolio on sustainable development. This was done using the UNEP FI Analysis Tool, which assesses positive and negative impacts from the perspective of the Sustainable Development Goals (SDGs) and the Paris Climate Agreement.

As a result the Raiffeisen Bank International Group identified two impact areas of strategic importance that are relevant to all tree areas of activity: climate protection (SDG 13) and natural resource efficiency (SDG 12).

The objective of the European Union to achieve climate neutrality by 2050 emphasizes the need for massive investments and capital mobilization to the sectors that can ensure a quick and efficient transition to a sustainable economic model. Raiffeisen Bank understood this need and part of the Bank's sustainability efforts focused on granting sustainable loans on programs dedicated to clients on various purposes related to the integration of ESG principles in their activity. Moreover, Raiffeisen Bank was the first bank in Romania to issue green bonds, and the funds were used for green buildings, ecological transport, sustainable agriculture.

In 2022, the Framework for Sustainable Bonds was also adopted through which the Bank allocates funds attracted through the issue of sustainable, green or social bonds, to sustainable projects, aligned with its sustainability strategy – green buildings, renewable energy, energy efficiency projects, transport and ecological agriculture, pollution prevention and control projects, circular economy, sustainable management of water resources, but also social projects – access to essential health services, education and infrastructure, affordable housing and financing of small and medium enterprises in the underdeveloped nationally regions.

The Framework for Sustainable Bonds has been evaluated by the ESG rating agency, Sustainalytics, which confirmed the credibility and positive environmental impact of the eligible projects defined in the Framework, as well as its alignment with the highest market standards (ICMA principles for sustainable, green and social bonds).

Market development

As the impact of the COVID-19 pandemic faded, the economy began to recover in early 2022. This was overshadowed by the war events and their consequences and by persistent energy price shock.

The direct exposure of the Bank with respect to entities from Russian Federation or Ukraine is close to nil (below 500th RON). The credit rating of some of the customers that are exposed at risk (because of their economic ties to this geographic area) may bring an increase in the provision for credit risk. All exposures connected to these two countries are being monitored closely and managed attentively.

As of the date of preparation and authorization for issuance of the financial statements, the management of the Bank has assessed the current political and economic outlook and the measures already taken, or planned, by the Romanian Government, NBR and the EC that may negatively impact the Bank. Based on this assessment and the review of the public information presently available, management does not expect the economic impact of the current developments to materially impair the ability of the Bank to continue as a going concern.

A potential negative impact upon the economic environment in which the Bank operates, its financial position and performance for the medium term, cannot be ruled out. Management closely monitors any developments and is prepared to take appropriate measures. These possible future measures, adopted by the Bank, could concern the

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

areas of accounting estimates and methods of calculating loss allowances and provisions for credit risk according to IFRS 9. Nevertheless, at the date of these financial statements, the Bank continues to meet its obligations as they are due and, based on its assessment of the current events and potential developments, the Bank applies the going concern as basis of preparation.

The national aid package of state guarantees and interest subsidies to support the financing of the SME sector under the IMM INVEST program (and the subprograms and program components, all related to the state aid scheme initiated to combat the effects of the COVID-19 pandemic) and IMM INVEST PLUS (and program components, related to the state aid scheme that supports companies affected by the effects of the war in Ukraine for the year 2022) was worth 31 billion RON. Within them, the eligible clients received grants in the form of interest for the financing from these programs/subprograms, subsidizing the commissions related to the financing and, for part of the IMM INVEST subprograms, a non-refundable component of 10% of the used value of the financing. On December 31, 2022, the Bank held a number of 5,736 active contracts, with a financed value of 4.6 billion RON.

The methodology of non-retail impairment estimation was revised and adapted periodically to support a prudent approach and to capture the expected credit risk evolution by monitoring the current economic environment. During 2022 Non-Retail impairment methodology was revised as follows:

- Implementation of the Post model adjustment "Energy and raw material increased prices" to address the potential underestimation of the credit loss allowance which might be triggered by the energy crisis with additional pressure on fuel and commodity prices, within a higher inflationary economic environment;
- Dropping Post model adjustment "Stage 3 retarded" which was implemented to reflect potential rise in default risk once the COVID supportive measures' effect is offset, since the risks considered at implementation did not materialize. The entire portfolio (including the one subject to the current Stage 3 retarded) was reviewed for sensitivity to risk factors that are more relevant within the current macroeconomic environment;
- Updating macroeconomic scenarios, macroeconomic models and industry risk classification;
- Post model adjustment 'Drought" implemented in 2021 for potential impact of severe drought during 2020 on agriculture portfolio was released since no financial deterioration was noticed taking into account that reduced yields effects were counterbalanced by the rising global food prices over the 2021-2022 period.

The cumulated effect of the measures described above is an increase of EUR 4 million in provision amount for Stage 1 & 2 non-retail portfolio.

Given the current risks and challenges faced by Retail clients due to energy and prices increase pressures, a Post Model Adjustment was implemented in November for Micro portfolio and in December for PI portfolio in order to prudently capture the potential credit risk deterioration. Furthermore, the COVID-19 related moratorium PMA was released as more than 24 months of moratorium portfolio performance was observed.

In order to maintain an adequate provisioning coverage for Retail portfolio and taking into consideration the current economic events, the Bank has followed a conservatory approach which consisted of:

- adding holistic treatment for the affected portfolio;
- assigning higher PD and higher LGD as a prudent measure.

The impact in Stage 2 provisions from PMA application as of December 31, 2022 was EUR 4.7 millions for PI loans and EUR 4.5 millions for Micro loans.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 **31 December 2022**

	Note	Level 1	Level 2	Level 3	Total	Carrying amount
Assets						
Financial instruments measured at fair value						
Trading assets, out of which:	18	49,812	43,490	–	93,302	93,302
Debt securities		49,812	–	–	49,812	49,812
Foreign exchange contracts		–	42,778	–	42,778	42,778
Interest rate swaps		–	712	–	712	712
Derivative assets held for risk management	19	–	13,781	–	13,781	13,781
Financial assets mandatorily at fair value through profit or loss, out of which:	26	14,045	16,478	153,935	184,458	184,458
Loans and advances to customers		–	–	153,935	153,935	153,935
Debt securities and equity instruments		14,045	16,478	–	30,523	30,523
Investment securities at fair value through other comprehensive income, out of which:	22	2,638,819	92,943	373,636	3,105,398	3,105,398
Bonds issued by the Government of Romania		2,638,819	–	–	2,638,819	2,638,819
Bonds issued by credit institutions		–	92,943	–	92,943	92,943
Bonds issued by public sector		–	–	373,636	373,636	373,636
Equity instruments at fair value through other comprehensive income	23	54,114	–	17,374	71,488	71,488
Derivatives Asset – hedge accounting	27	–	8,355	–	8,355	8,355
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	8,281,451	–	–	8,281,451	8,281,451
Loans and advances to banks at amortized cost	20	323,543	–	–	323,543	323,543
Loans and advances to customers at amortized cost	21	–	–	39,772,358	39,772,358	39,851,569
Investment securities at amortized cost	24	8,000,585	351,053	75,510	8,427,148	9,200,854
Other assets	28	–	–	290,875	290,875	290,875
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	–	27,715	–	27,715	27,715
Derivative liabilities held for risk management	19	–	5,860	–	5,860	5,860
Fair value changes of the hedged items – liability	27	–	11,398	–	11,398	11,398
Financial instruments for which fair value is disclosed						
Deposits from banks	32	578,106	–	–	578,106	578,106
Deposits from customers	33	–	–	49,147,932	49,147,932	49,233,568
Loans from banks and other financial institutions	34	–	–	390,083	390,083	390,285
Debt securities issued	34	–	3,536,005	–	3,536,005	3,887,808
Subordinated liabilities	34	–	–	332,555	332,555	323,726
Other liabilities	35	–	–	1,321,579	1,321,579	1,321,579

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 — 31 December 2021

	Note	Level 1	Level 2	Level 3	Total	Carrying amount
Assets						
Financial instruments measured at fair value						
Trading assets, out of which:	18	116,259	18,915	–	135,174	135,174
Debt securities		116,259	–	–	116,259	116,259
Foreign exchange contracts		–	17,900	–	17,900	17,900
Interest rate swaps		–	1,015	–	1,015	1,015
Derivative assets held for risk management	19	–	8,305	–	8,305	8,305
Financial assets mandatorily at fair value through profit or loss, out of which:	26	14,526	29,009	214,373	257,908	257,908
Loans and advances to customers		–	–	214,373	214,373	214,373
Debt securities and equity instruments		14,526	29,009	–	43,535	43,535
Investment securities at fair value through other comprehensive income, out of which:	22	3,333,589	327,155	–	3,660,744	3,660,744
Bonds issued by the Government of Romania		3,333,589	–	–	3,333,589	3,333,589
Bonds issued by public sector		–	327,155	–	327,155	327,155
Equity instruments at fair value through other comprehensive income	23	36,371	–	13,395	49,766	49,766
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	11,288,325	–	–	11,288,325	11,288,325
Loans and advances to banks at amortized cost	20	1,518,422	–	–	1,518,422	1,518,422
Loans and advances to customers at amortized cost	21	–	–	33,511,474	33,511,474	32,973,112
Investment securities at amortized cost	24	8,401,175	1,043	–	8,402,218	8,550,464
Other assets	28	–	–	264,684	264,684	264,684
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	–	20,861	–	20,861	20,861
Derivative liabilities held for risk management	19	–	3,268	–	3,268	3,268
Fair value changes of the hedged items – liability	27	–	3,466	–	3,466	3,466
Derivatives – hedge accounting	27	–	8,298	–	8,298	8,298
Financial instruments for which fair value is disclosed						
Deposits from banks	32	357,562	–	–	357,562	357,562
Deposits from customers	33	–	–	49,665,732	49,665,732	49,702,577
Loans from banks and other financial institutions	34	–	–	345,187	345,187	345,077
Debt securities issued	34	–	2,117,878	–	2,117,878	2,118,575
Subordinated liabilities	34	–	–	348,721	348,721	323,334
Other liabilities	35	–	–	1,082,770	1,082,770	1,082,770

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 2022	
Assets						
Financial instruments measured at fair value						
Trading assets, out of which:	18	49,812	43,490	–	93,302	93,302
Debt securities		49,812	–	–	49,812	49,812
Foreign exchange contracts		–	42,778	–	42,778	42,778
Interest rate swaps		–	712	–	712	712
Derivative assets held for risk management	19	–	13,781	–	13,781	13,781
Financial assets mandatorily at fair value through profit or loss, out of which:	26	–	16,478	153,935	170,413	170,413
Loans and advances to customers		–	–	153,935	153,935	153,935
Debt securities and equity instruments		–	16,478	–	16,478	16,478
Investment securities at fair value through other comprehensive income, out of which:	22	2,628,927	92,943	373,636	3,095,506	3,095,506
Bonds issued by the Government of Romania		2,628,927	–	–	2,628,927	2,628,927
Bonds issued by credit institutions		–	92,943	–	92,943	92,943
Bonds issued by public sector		–	–	373,636	373,636	373,636
Equity instruments at fair value through other comprehensive income	23	54,114	–	17,374	71,488	71,488
Derivatives Asset – hedge accounting	23	–	8,355	–	8,355	8,355
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	8,280,853	–	–	8,280,853	8,280,853
Loans and advances to banks at amortized cost	20	286,851	–	–	286,851	286,851
Loans and advances to customers at amortized cost	21	–	–	39,288,304	39,288,304	39,367,515
Investment securities at amortized cost	24	7,978,387	303,660	75,510	8,357,557	9,129,802
Other assets	28	–	–	268,432	268,432	268,432
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	–	27,715	–	27,715	27,715
Derivative liabilities held for risk management	19	–	5,860	–	5,860	5,860
Derivatives asset – hedge accounting	27	–	11,398	–	11,398	11,398
Financial instruments for which fair value is disclosed						
Deposits from banks	32	578,106	–	–	578,106	578,106
Deposits from customers	33	–	–	49,195,681	49,195,681	49,281,318
Loans from banks and other financial institutions	34	–	–	3,741	3,741	3,943
Debt securities issued	34	–	3,536,005	–	3,536,005	3,887,808
Subordinated liabilities	34	–	–	332,555	332,555	323,678
Other liabilities	35	–	–	1,280,354	1,280,354	1,280,354

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The table below analyses financial instruments by using the valuation methods described in *Note 6:*

Bank

In RON thousand — 31 December 2021

	Note	Level 1	Level 2	Level 3	Total	Carrying amount
Assets						
Financial instruments measured at fair value						
Trading assets, out of which:	18	116,259	18,915	–	135,174	135,174
Debt securities		116,259	–	–	116,259	116,259
Foreign exchange contracts		–	17,900	–	17,900	17,900
Interest rate swaps		–	1,015	–	1,015	1,015
Derivative assets held for risk management	19	–	8,305	–	8,305	8,305
Financial assets mandatorily at fair value through profit or loss, out of which:	26	–	29,009	214,373	243,382	243,382
Loans and advances to customers		–	–	214,373	214,373	214,373
Debt securities and equity instruments		–	29,009	–	29,009	29,009
Investment securities at fair value through other comprehensive income, out of which:	22	3,236,661	327,155	–	3,563,816	3,563,816
Bonds issued by the Government of Romania		3,236,661	–	–	3,236,661	3,236,661
Bonds issued by public sector		–	327,155	–	327,155	327,155
Equity instruments at fair value through other comprehensive income	23	36,371	–	13,395	49,766	49,766
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	11,285,168	–	–	11,285,168	11,285,168
Loans and advances to banks at amortized cost	20	1,504,874	–	–	1,504,874	1,504,874
Loans and advances to customers at amortized cost	21	–	–	33,038,116	33,038,116	32,499,754
Investment securities at amortized cost	24	8,266,434	–	–	8,266,434	8,414,355
Other assets	28	–	–	246,614	246,614	246,614
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	–	20,861	–	20,861	20,861
Derivative liabilities held for risk management	19	–	3,268	–	3,268	3,268
Fair value changes of the hedged items – hedge accounting	27	–	3,466	–	3,466	3,466
Derivatives asset – hedge accounting	27	–	8,298	–	8,298	8,298
Financial instruments for which fair value is disclosed						
Deposits from banks	32	357,562	–	–	357,562	357,562
Deposits from customers	33	–	–	49,604,564	49,604,564	49,641,409
Loans from banks and other financial institutions	34	–	–	8,722	8,722	8,611
Debt securities issued	34	–	2,117,878	–	2,117,878	2,118,575
Subordinated liabilities	34	–	–	348,721	348,721	323,334
Other liabilities	35	–	–	1,077,430	1,077,430	1,077,430

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The below table presents the measurements categories for financial instruments:

Group

In RON thousand — 31 December 2022

	Note	Held for trading	Manda-torily at fair value through profit or loss	Fair value through other com-prehensive income	Amortized cost	Total carrying amount	Fair value
Financial assets							
Cash and cash with Central Bank	17	–	–	–	8,281,451	8,281,451	8,281,451
Trading assets	18	93,302	–	–	–	93,302	93,302
Derivative assets held for risk management	19	13,781	–	–	–	13,781	13,781
Financial assets mandatorily at fair value through profit or loss	26	–	184,458	–	–	184,458	184,458
Loans and advances to banks at amortized cost	20	–	–	–	323,543	323,543	323,543
Loans and advances to customers at amortized cost	21	–	–	–	39,851,569	39,851,569	39,772,358
Investment securities	22, 24	–	–	3,176,886	9,200,854	12,377,740	11,604,034
Derivatives asset – hedge accounting	27	8,355	–	–	–	8,355	8,355
Other assets	28	–	–	–	290,875	290,875	290,875
Total financial assets		**115,438**	**184,458**	**3,176,886**	**57,948,292**	**61,425,074**	**60,572,157**
Financial liabilities							
Trading liabilities	18	27,715	–	–	–	27,715	27,715
Derivative liabilities held for risk management	19	5,860	–	–	–	5,860	5,860
Fair value changes of the hedged items – liability	27	11,398	–	–	–	11,398	11,398
Deposits from banks	32	–	–	–	578,106	578,106	578,106
Deposits from customers	33	–	–	–	49,233,568	49,233,568	49,147,932
Loans from banks and other financial institutions	34	–	–	–	390,285	390,285	390,083
Debt securities issued	34	–	–	–	3,887,808	3,887,808	3,536,005
Subordinated liabilities	34	–	–	–	323,726	323,726	332,555
Other liabilities	35	–	–	–	1,321,579	1,321,579	1,321,579
Total financial liabilities		**44,973**	**–**	**–**	**55,735,072**	**55,780,045**	**55,351,233**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The below table presents the measurements categories for financial instruments:

Group

In RON thousand

31 December 2021

	Note	Held for trading	Mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total carrying amount	Fair value
Financial assets							
Cash and cash with Central Bank	17	–	–	–	11,288,325	11,288,325	11,288,325
Trading assets	18	135,174	–	–	–	135,174	135,174
Derivative assets held for risk management	19	8,305	–	–	–	8,305	8,305
Financial assets mandatorily at fair value through profit or loss	26	–	257,908	–	–	257,908	257,908
Loans and advances to banks at amortized cost	20	–	–	–	1,518,422	1,518,422	1,518,422
Loans and advances to customers at amortized cost	21	–	–	–	32,973,112	32,973,112	33,511,474
Investment securities	22, 24	–	–	3,710,510	8,550,464	12,260,974	12,112,728
Other assets	28	–	–	–	264,684	264,684	264,684
Total financial assets		**143,479**	**257,908**	**3,710,510**	**54,595,007**	**58,706,904**	**59,097,020**
Financial liabilities							
Trading liabilities	18	20,861	–	–	–	20,861	20,861
Derivative liabilities held for risk management	19	3,268	–	–	–	3,268	3,268
Fair value changes of the hedged items – liability	27	3,466	–	–	–	3,466	3,466
Derivatives – hedge accounting	27	8,298	–	–	–	8,298	8,298
Deposits from banks	32	–	–	–	357,562	357,562	357,562
Deposits from customers	33	–	–	–	49,702,577	49,702,577	49,665,732
Loans from banks and other financial institutions	34	–	–	–	345,077	345,077	345,187
Debt securities issued	34	–	–	–	2,118,575	2,118,575	2,117,878
Subordinated liabilities	34	–	–	–	323,334	323,334	348,721
Other liabilities	35	–	–	–	1,082,770	1,082,770	1,082,770
Total financial liabilities		**35,893**	**–**	**–**	**53,929,895**	**53,965,788**	**53,953,743**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The below table presents the measurements categories for financial instruments:

Bank

In RON thousand — **31 December 2022**

	Note	Held for trading	Manda-torily at fair value through profit or loss	Fair value through other com-prehensive income	Amortized cost	Total carrying amount	Fair value
Financial assets							
Cash and cash with Central Bank	17	–	–	–	8,280,853	8,280,853	8,280,853
Trading assets	18	93,302	–	–	–	93,302	93,302
Derivative assets held for risk management	19	13,781	–	–	–	13,781	13,781
Financial assets mandatorily at fair value through profit or loss	26	–	170,413	–	–	170,413	170,413
Loans and advances to banks at amortized cost	20	–	–	–	286,851	286,851	286,851
Loans and advances to customers at amortized cost	21	–	–	–	39,367,515	39,367,515	39,288,304
Investment securities	22, 24	–	–	3,166,994	9,129,802	12,296,796	11,524,551
Derivatives asset – hedge accounting	27	8,355	–	–	–	8,355	8,355
Other assets	28	–	–	–	268,432	268,432	268,432
Total financial assets		**115,438**	**170,413**	**3,166,994**	**57,333,453**	**60,786,298**	**59,934,842**
Financial liabilities							
Trading liabilities	18	27,715	–	–	–	27,715	27,715
Derivative liabilities held for risk management	19	5,860	–	–	–	5,860	5,860
Fair value changes of the hedged items – liability	27	11,398	–	–	–	11,398	11,398
Deposits from banks	32	–	–	–	578,106	578,106	578,106
Deposits from customers	33	–	–	–	49,281,318	49,281,318	49,195,681
Loans from banks and other financial institutions	34	–	–	–	3,943	3,943	3,741
Debt securities issued	34	–	–	–	3,887,808	3,887,808	3,536,005
Subordinated liabilities	34	–	–	–	323,678	323,678	332,555
Other liabilities	35	–	–	–	1,280,354	1,280,354	1,280,354
Total financial liabilities		**44,973**	**–**	**–**	**55,355,207**	**55,400,180**	**54,971,417**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The below table presents the measurements categories for financial instruments:

Bank

In RON thousand

31 December 2021

	Note	Held for trading	Manda-torily at fair value through profit or loss	Fair value through other com-prehensive income	Amortized cost	Total carrying amount	Fair value
Financial assets							
Cash and cash with Central Bank	17	–	–	–	11,285,168	11,285,168	11,285,168
Trading assets	18	135,174	–	–	–	135,174	135,174
Derivative assets held for risk management	19	8,305	–	–	–	8,305	8,305
Financial assets mandatorily at fair value through profit or loss	26	–	243,382	–	–	243,382	243,382
Loans and advances to banks at amortized cost	20	–	–	–	1,504,874	1,504,874	1,504,874
Loans and advances to customers at amortized cost	21	–	–	–	32,499,754	32,499,754	33,038,116
Investment securities	22, 24	–	–	3,613,582	8,414,355	12,027,937	11,880,016
Other assets	28	–	–	–	246,614	246,614	246,614
Total financial assets		**143,479**	**243,382**	**3,613,582**	**53,950,765**	**57,951,208**	**58,341,649**
Financial liabilities							
Trading liabilities	18	20,861	–	–	–	20,861	20,861
Derivative liabilities held for risk management	19	3,268	–	–	–	3,268	3,268
Fair value changes of the hedged items – liability	27	3,466	–	–	–	3,466	3,466
Derivatives – hedge accounting	27	8,298	–	–	–	8,298	8,298
Deposits from banks	32	–	–	–	357,562	357,562	357,562
Deposits from customers	33	–	–	–	49,641,409	49,641,409	49,604,564
Loans from banks and other financial institutions	34	–	–	–	8,611	8,611	8,722
Debt securities issued	34	–	–	–	2,118,575	2,118,575	2,117,878
Subordinated liabilities	34	–	–	–	323,334	323,334	348,721
Other liabilities	35	–	–	–	1,077,430	1,077,430	1,077,430
Total financial liabilities		**35,893**	**–**	**–**	**53,526,921**	**53,562,814**	**53,550,770**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

8. NET INTEREST INCOME

	GROUP		BANK	
In RON thousand	2022	2021	2022	2021
Interest income				
Interest and similar income arising from:				
Current accounts and loans and advances to banks	51,065	11,363	51,160	11,961
Loans and advances to customers (i)	2,400,349	1,615,615	2,406,962	1,617,670
Investments measured at fair value through other comprehensive income	105,952	95,026	104,546	92,713
Investment securities measured at amortized cost	302,777	212,366	298,596	206,011
Negative interest on financial liabilities	77	24	77	24
Derivatives – hedge accounting, interest rate risk	1,977	–	1,977	–
Total interest income computed using effective interest rate	**2,862,197**	**1,934,394**	**2,863,318**	**1,928,379**
Finance leasing activity	49,918	38,352	–	–
Total interest income	**2,912,115**	**1,972,746**	**2,863,318**	**1,928,379**
Interest expense and similar charges				
Interest expense and similar charges arising from:				
Deposits from banks	(16,195)	(10,579)	(16,195)	(10,579)
Deposits from customers	(276,319)	(64,055)	(275,824)	(62,506)
Debt securities issued	(109,893)	(33,722)	(109,893)	(33,722)
Loans from banks and subordinated liabilities*	(92,048)	(45,483)	(88,512)	(42,588)
Leasing	(2,273)	(2,782)	(2,166)	(2,668)
Negative interest on financial assets	(13,472)	(21,015)	(13,472)	(21,015)
Derivatives – hedge accounting, interest rate risk	(824)	–	(824)	–
Other	(738)	(740)	(738)	(740)
Total interest expense	**(511,762)**	**(178,376)**	**(507,624)**	**(173,818)**
Net interest income	**2,400,353**	**1,794,370**	**2,355,694**	**1,754,561**

*During 2022 the Bank accessed short term credit facility from National Bank of Romania
(i) The amount of interest income from impaired loans amounts to RON 27,871 thousand (31 December 2021: RON 24,458 thousand).

9. NET FEE AND COMMISSION INCOME

	GROUP		BANK	
In RON thousand	2022	2021	2022	2021
Fee and commission income				
Transactions from payments transfer business	622,899	608,231	622,899	608,231
Loans administration and guarantee issuance	69,013	66,576	68,883	66,365
Asset management fee (i)	35,372	47,194	–	–
Commissions from insurance premium collections (ii)	78,259	67,370	78,259	67,370
Finance leasing administration	11,826	10,508	–	–
Commissions for buying/selling cash	326	927	326	927
Other (iii)	23,787	20,421	27,259	27,908
Total fee and commission income	**841,482**	**821,227**	**797,626**	**770,801**
Fees and commissions expense				
Commissions for payment transfers	(268,521)	(235,720)	(268,521)	(235,720)
Loan and guarantees received from banks	(7,761)	(8,082)	(7,761)	(8,082)
For transactions with investment securities	(2,440)	(1,337)	(1,415)	(1,068)
Other	(3,684)	(273)	(37)	(153)
Total fee and commission expense	**(282,406)**	**(245,412)**	**(277,734)**	**(245,023)**
Net fee and commission income	**559,076**	**575,815**	**519,892**	**525,778**

(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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

10. NET TRADING INCOME

	GROUP		BANK	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Net trading income from:				
Currency based instruments (i), out of which:	321,694	355,273	322,542	356,152
Gain/(loss) from foreign exchange derivative transactions	22,186	11,244	22,186	11,244
Net gain on revaluation of monetary assets and foreign currency transactions	299,508	344,029	300,356	344,908
Interest rate instruments (ii), out of which:	7,503	4,233	7,503	4,233
Net trading result from government securities and corporate debt securities	3,495	628	3,495	628
Interest rate swaps gain/(loss)	4,008	3,605	4,008	3,605
Net trading income	**329,197**	**359,506**	**330,045**	**360,385**

(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.
(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

	GROUP		BANK	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Revenues from additional leasing services	3,003	3,110	–	–
Reversal of other provisions	8,120	7,904	10,199	7,904
Dividend income	2,180	1,481	28,942	23,234
Income from repossessed assets	1,096	2,153	1,096	2,153
Reversal of litigation provision	7,805	–	7,805	–
Sundry income (i)	28,493	13,560	30,301	15,213
Total	**50,697**	**28,208**	**78,343**	**48,504**

(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 derecognized etc.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

12. OPERATING EXPENSES

	GROUP		BANK	
In RON thosand	**2022**	**2021**	**2022**	**2021**
Office space expenses (i)	63,366	60,745	61,621	58,968
IT repairs and maintenance	144,906	126,617	140,272	121,834
Depreciation and amortization *(Note 30 and 31)*	259,127	228,248	257,042	225,293
Deposit insurance fees (ii)	34,819	11,623	34,819	11,623
Resolution fund fee (iii)	35,989	37,001	35,888	36,922
Security expenses	46,775	60,874	46,765	60,864
Advertising	68,241	62,231	67,003	60,822
Charge of litigation provision (iv)	–	99,803	–	41,287
Legal, advisory and consulting expenses	48,667	45,664	46,760	43,456
Postal and telecommunication expenses	88,762	66,711	88,330	66,293
Office supplies	30,665	35,717	30,528	35,547
Sundry operating expenses	39,335	54,918	35,462	51,300
Charge of other provisions	584	3,488	584	3,286
Training expenses for staff	14,356	7,603	13,715	7,260
Travelling expenses	10,019	2,445	9,769	2,314
Transport costs	6,880	5,441	6,387	5,023
Other taxes (v)	3,432	40,578	1,669	38,616
Total	**895,923**	**949,707**	**876,614**	**870,708**

(i) The amounts under "Office space expenses" include mainly cleaning, security expenses and the VAT related to the rental paid invoices.
(ii) 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.
(iii) 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.
(iv) 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*.
(vi) Under the caption "Other taxes" the Group presents the movement in provision for tax audit (please see *Note 28 Other assets*)

External auditor expense:

Group: The expense with statutory audit of financial statements as at December 31, 2022 was in amount of RON 2,156 thousand (December 31, 2021: RON 2,206 thousand), the expense with assurance services as at December 31, 2022 was in amount of RON 481 thousand (December 31, 2021: RON 123 thousand), and the expense with non-assurance services as at December 31, 2022 was in amount of RON 210 thousand (December 31, 2021: RON 73 thousand).

Bank: The expense with statutory audit of financial statements as at December 31, 2022 was in amount of RON 1,593 thousand (December 31, 2021: RON 1,497 thousand), the expense with assurance services as at December 31, 2022 was in amount of RON 297 thousand (December 31, 2021: RON 123 thousand), and the expense with non-assurance services as at December 31, 2022 was in amount of RON 210 thousand (December 31, 2021: RON 74 thousand).

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

13. PERSONNEL EXPENSE

	GROUP		BANK	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Salary expense	707,722	564,309	675,879	536,891
Social contributions	20,844	18,588	20,233	18,035
Other staff expenses	31,550	30,141	30,498	29,105
Expenses for defined benefit pension plans	4,404	25,427	4,404	25,427
Long term employee benefits	7,337	4,397	7,235	4,331
Total	**771,857**	**642,862**	**738,249**	**613,789**

The number of employees at Group level as at 31 December 2022 was 5,084 (31 December 2021: 4,798).
The number of employees at Bank level as at 31 December 2022 was 4.929 (31 December 2021: 4.632).

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

14. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Group

In RON thousand — 31 December 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Loans and advances to customers at amortized cost	34,465	(11,459)	(8,233)	5,722	20,495
Loan commitments and financial guarantees	7,205	(1,428)	690	–	6,467
Investment securities at amortized cost	1,796	–	–	–	1,796
Loans written-off	–	319	1,960	253	2,532
Recoveries from loans and advances to customers	–	–	(17,313)	(276)	(17,589)
Total non-retail	**43,466**	**(12,568)**	**(22,896)**	**5,699**	**13,701**
Retail					
Loans and advances to customers at amortized cost	28,014	24,016	166,658	(11,430)	207,258
Loan commitments and financial guarantees	2,091	1,563	233	–	3,887
Loans written-off	–	1,359	24,831	1,232	27,422
Recoveries from loans and advances to customers	–	–	(96,215)	(8,672)	(104,887)
Total retail	**30,105**	**26,938**	**95,507**	**(18,870)**	**133,680**
Total	**73,571**	**14,370**	**72,611**	**(13,171)**	**147,381**

Group

In RON thousand — 31 December 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Loans and advances to customers at amortized cost	30,930	(5,404)	12,440	(1,940)	36,026
Loan commitments and financial guarantees	(19,342)	(4,854)	(1,941)	–	(26,137)
Investment securities at amortized cost	(359)	–	–	–	(359)
Loans written-off	–	–	11,428	–	11,428
Recoveries from loans and advances to customers	–	–	(11,314)	–	(11,314)
Total non-retail	**11,229**	**(10,258)**	**10,613**	**(1,940)**	**9,644**
Retail					
Loans and advances to customers at amortized cost	(3,354)	30,260	92,624	(7,251)	112,279
Loan commitments and financial guarantees	60	–	(493)	–	(433)
Loans written-off	–	–	11,073	–	11,073
Recoveries from loans and advances to customers	–	–	(24,426)	–	(24,426)
Total retail	**(3,294)**	**30,260**	**78,778**	**(7,251)**	**98,493**
Total	**7,935**	**20,002**	**89,391**	**(9,191)**	**108,137**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Bank

In RON thousand — 31 December 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Loans and advances to customers at amortized cost	31,405	(11,746)	(4,281)	5,722	21,100
Loan commitments and financial guarantees	7,205	(1,428)	690	–	6,467
Investment in subsidiaries, associates and joint ventures	–	–	26,648	–	26,648
Investment securities at amortized cost	1,796	–	–	–	1,796
Loans written-off	–	319	1,537	253	2,109
Recoveries from loans and advances to customers	–	–	(17,313)	(276)	(17,589)
Total non-retail	**40,406**	**(12,855)**	**7,281**	**5,699**	**40,531**
Retail					
Loans and advances to customers at amortized cost	28,252	24,009	166,514	(11,430)	207,345
Loan commitments and financial guarantees	2,091	1,563	233	–	3,887
Loans written-off	–	1,359	24,831	1,232	27,422
Recoveries from loans and advances to customers	–	–	(95,593)	(8,672)	(104,265)
Total retail	**30,343**	**26,931**	**95,985**	**(18,870)**	**134,389**
Total	**70,749**	**14,076**	**103,266**	**(13,171)**	**174,920**

Bank

In RON thousand — 31 December 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Loans and advances to customers at amortized cost	34,437	(8,347)	16,903	(1,940)	41,053
Loan commitments and financial guarantees	(19,342)	(4,854)	(1,941)	–	(26,137)
Investment in subsidiaries, associates and joint ventures	–	–	70,645	–	70,645
Investment securities at amortized cost	(359)	–	–	–	(359)
Loans written-off	–	–	9,669	–	9,669
Recoveries from loans and advances to customers	–	–	(11,314)	–	(11,314)
Total non-retail	**14,736**	**(13,201)**	**83,962**	**(1,940)**	**83,557**
Retail					
Loans and advances to customers at amortized cost	(2,692)	30,336	92,944	(7,251)	113,337
Loan commitments and financial guarantees	60	–	(493)	–	(433)
Loans written-off	–	–	11,073	–	11,073
Recoveries from loans and advances to customers	–	–	(23,971)	–	(23,971)
Total retail	**(2,632)**	**30,336**	**79,553**	**(7,251)**	**100,006**
Total	**12,104**	**17,135**	**163,515**	**(9,191)**	**183,563**

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 2022 is RON 128,830 thousand (31 December 2021: RON 182,694 thousand), out of which non-retail exposures in amount of RON 3,769 thousand (31 December 2021: RON 69,983 thousand) and retail exposures in amount of RON 125,061 thousand (31 December 2021: RON 112,711 thousand).

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

15. INCOME TAX EXPENSE

i) Income tax expense

	GROUP		BANK	
In RON thousand	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Current tax expenses at 16% (2021:16%) of taxable profits determined in accordance with Romanian law	251,543	184,106	244,384	177,405
Adjustments recognized in the period for current tax of prior periods	–	462	–	462
Deferred tax expense/(income) *(Note 29)*	(21,036)	6,140	(20,822)	4,258
Expense with provision from tax inspection	–	38,187	–	38,187
Total	**230,507**	**228,895**	**223,562**	**220,312**

ii) Income tax receivable

	GROUP		BANK	
In RON thousand	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Current tax receivable	166	487	–	–
Non-current tax receivable – Gross Book Value *	130,129	130,129	130,129	130,129
Provision for non-current tax receivable	(56,280)	(56,280)	(56,280)	(56,280)
Total	**74,015**	**74,336**	**73,849**	**73,849**

*According to IFRIC 23, as of December 31, 2022, the carrying amount of income taxes with uncertain treatment is RON 130,129 thousand (December 31, 2021: RON 130,129 thousand) and the correspondent provision is RON 56,280 thousand (December 31, 2021: RON 56,280 thousand) and resulted from the tax audit detailed in *Note 28 "Other assets"*. 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.

16. RECONCILIATION OF INCOME BEFORE TAX WITH THE CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	GROUP		BANK	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Gross profit before tax	1,486,737	1,047,447	1,458,257	1,008,772
Taxation at statutory rate of 16% (2021: 16%)	**237,878**	**167,592**	**233,321**	**161,404**
Non-deductible expenses	49,767	57,846	45,123	56,416
Non-taxable revenues	(28,295)	(29,924)	(26,400)	(29,201)
Corporate income tax before fiscal credit	**259,350**	**195,514**	**252,044**	**188,619**
Fiscal credit	(7,807)	(11,408)	(7,660)	(11,214)
Adjustments recognized in the period for current tax of prior periods	–	462	–	462
Corporate income tax	**251,543**	**184,568**	**244,384**	**177,867**
Deferred tax expense/(income)	(21,036)	6,140	(20,822)	4,258
Income tax resulted from tax inspection	–	38,187	–	38,187
Income tax expense	**230,507**	**228,895**	**223,562**	**220,312**

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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

17. CASH AND CASH WITH CENTRAL BANK

	GROUP		BANK	
In RON thousand	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Cash and cash equivalents	1,621,589	5,939,958	1,620,991	5,936,801
Minimum compulsory reserve	6,659,862	5,348,367	6,659,862	5,348,367
Total	**8,281,451**	**11,288,325**	**8,280,853**	**11,285,168**

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 2022, the mandatory minimum reserve ratio was 8% (31 December 2021: 8%) for funds raised in RON and 5% (December 31, 2021: 5%) for funds in foreign currency with residual maturity of less than 2 years, at the end of the observation period. For liabilities having residual maturity over 2 years at the end of the observation period, without reimbursement, conversion or early retirement clauses, compulsory minimum reserve ratio was set at 0% (31 December 2021: 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, therefore the Group considers that this is not restrictive cash and includes the amount in cash and cash equivalents considered in Cash flow statement.

18. TRADING ASSETS/LIABILITIES

	GROUP		BANK	
In RON thousand	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Trading assets				
Debt instruments	49,812	116,259	49,812	116,259
Derivative financial instruments	43,490	18,915	43,490	18,915
Total	**93,302**	**135,174**	**93,302**	**135,174**
Trading liabilities				
Derivative financial instruments	27,715	20,861	27,715	20,861
Total	**27,715**	**20,861**	**27,715**	**20,861**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

19. DERIVATIVES HELD FOR RISK MANAGEMENT

The portfolio of derivatives held for economic hedge risk management purposes are detailed below:

Group

In RON thousand — 31 December 2022

	Notional buy	Notional sell	Fair value Assets	Fair value Liabilities
OTC products:				
Cross currency Interest rate swaps	105,826	105,826	6,643	–
FX swap	1,181,823	1,184,016	–	2,888
Interest rate swaps	196,474	196,474	7,138	2,972
Total			**13,781**	**5,860**

Group

In RON thousand — 31 December 2021

	Notional buy	Notional sell	Fair value Assets	Fair value Liabilities
OTC products:				
Cross currency Interest rate swaps	56,360	56,360	4,324	–
FX swap	936,879	927,574	3,946	969
Interest rate swaps	195,962	195,962	35	2,299
Total			**8,305**	**3,268**

Bank

In RON thousand — 31 December 2022

	Notional buy	Notional sell	Fair value Assets	Fair value Liabilities
OTC products:				
Cross currency Interest rate swaps	105,826	105,826	6,643	–
FX swap	1,181,823	1,184,016	–	2,888
Interest rate swaps	196,474	196,474	7,138	2,972
Total			**13,781**	**5,860**

Bank

In RON thousand — 31 December 2021

	Notional buy	Notional sell	Fair value Assets	Fair value Liabilities
OTC products:				
Cross currency Interest rate swaps	56,360	56,360	4,324	–
FX swap	936,879	927,574	3,946	969
Interest rate swaps	195,962	195,962	35	2,299
Total			**8,305**	**3,268**

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 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

20. LOANS AND ADVANCES TO BANKS AT AMORTISED COST

	GROUP		BANK	
In RON thousand	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Refundable at request	33,185	42,914	32,627	17,449
Sight deposits	40,499	28,997	40,499	28,997
Term deposits	51,233	6,624	3,194	6,624
Reverse repo	–	1,389,951	–	1,389,951
Term loans	198,626	49,936	198,626	49,936
Subordinated loans	–	–	11,905	11,917
Total	**323,543**	**1,518,422**	**286,851**	**1,504,874**

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:

	GROUP		BANK	
In RON thousand	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Non-retail				
Gross exposure	20,309,484	14,857,330	20,212,370	14,793,090
Impairment allowance	(424,174)	(436,264)	(403,088)	(413,918)
Net exposure	19,885,310	14,421,066	19,809,282	14,379,172
Retail				
Gross exposure	20,878,627	19,496,802	20,452,399	19,046,428
Impairment allowance	(912,368)	(944,756)	(894,166)	(925,846)
Net exposure	19,966,259	18,552,046	19,558,233	18,120,582
Total net exposure	**39,851,569**	**32,973,112**	**39,367,515**	**32,499,754**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the gross carrying amount as follows:

Group

In RON thousand

					2022
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
Gross carrying amount as at 1 January 2022	12,368,356	2,172,396	266,134	50,444	14,857,330
New assets originated or purchased	17,983,686	1,216,946	65,575	7,249	19,273,456
Assets derecognized or repaid (excluding write-offs)	(12,382,879)	(1,337,414)	(135,010)	(9,621)	(13,864,924)
Transfers to Stage 1	636,901	(636,715)	–	–	186
Transfers to Stage 2	(1,302,013)	1,311,295	–	–	9,282
Transfers to Stage 3	(1,656)	(41,630)	43,286	–	–
Decrease due to write-offs	–	–	(3,509)	–	(3,509)
Foreign exchange adjustments	34,751	3,110	(177)	(21)	37,663
Total non-retail gross carrying amount as at 31 December 2022	**17,337,146**	**2,687,988**	**236,299**	**48,051**	**20,309,484**
Retail					
Gross carrying amount as at 1 January 2022	16,130,242	2,361,452	807,783	197,325	19,496,802
New assets originated or purchased	7,649,254	67,820	15,958	17,738	7,750,770
Assets derecognized or repaid (excluding write-offs)	(5,004,797)	(849,484)	(373,458)	(38,379)	(6,266,118)
Transfers to Stage 1	2,549,192	(2,522,741)	(26,637)	–	(186)
Transfers to Stage 2	(3,466,726)	3,526,927	(69,483)	–	(9,282)
Transfers to Stage 3	(45,350)	(426,030)	471,380	–	–
Decrease due to write-offs	–	–	(107,132)	–	(107,132)
Foreign exchange adjustments	(323)	8,921	3,852	1,323	13,773
Total retail gross carrying amount as at 31 December 2022	**17,811,492**	**2,166,865**	**722,263**	**178,007**	**20,878,627**
Total gross carrying amount	**35,148,638**	**4,854,853**	**958,562**	**226,058**	**41,188,111**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the gross carrying amount as follows:

Group

In RON thousand

2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Gross carrying amount as at 1 January 2021	9,784,991	2,432,111	286,458	57,866	12,561,426
New assets originated or purchased	10,111,307	967,980	42,929	1,025	11,123,241
Assets derecognized or repaid (excluding write-offs)	(7,582,069)	(1,250,343)	(67,291)	(8,682)	(8,908,385)
Transfers to Stage 1	847,220	(847,219)	(1)	–	–
Transfers to Stage 2	(905,441)	905,441	–	–	–
Transfers to Stage 3	(489)	(62,279)	62,768	–	–
Decrease due to write-offs	–	–	(61,070)	–	(61,070)
Foreign exchange adjustments	112,837	26,705	2,341	235	142,118
Total non-retail gross carrying amount as at 31 December 2021	**12,368,356**	**2,172,396**	**266,134**	**50,444**	**14,857,330**
Retail					
Gross carrying amount as at 1 January 2021	14,450,139	2,109,475	773,355	210,194	17,543,163
New assets originated or purchased	7,745,231	123,347	2,598	3,166	7,874,342
Assets derecognized or repaid (excluding write-offs)	(4,711,598)	(935,115)	(211,450)	(19,233)	(5,877,396)
Transfers to Stage 1	1,937,347	(1,911,288)	(26,059)	–	–
Transfers to Stage 2	(3,266,605)	3,320,209	(53,604)	–	–
Transfers to Stage 3	(45,721)	(365,474)	411,195	–	–
Decrease due to write-offs	–	(22)	(94,368)	–	(94,390)
Foreign exchange adjustments	21,449	20,320	6,116	3,198	51,083
Total retail gross carrying amount as at 31 December 2021	**16,130,242**	**2,361,452**	**807,783**	**197,325**	**19,496,802**
Total gross carrying amount	**28,498,598**	**4,533,848**	**1,073,917**	**247,769**	**34,354,132**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the gross carrying amount as follows

Bank

In RON thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Gross carrying amount as at 1 January 2022	12,529,976	1,966,729	245,941	50,444	14,793,090
New assets originated or purchased	17,732,116	1,143,620	65,393	7,249	18,948,378
Assets derecognized or repaid (excluding write-offs)	(12,260,893)	(1,163,431)	(129,307)	(9,621)	(13,563,252)
Transfers to Stage 1	631,044	(631,044)	–	–	–
Transfers to Stage 2	(1,263,597)	1,263,597	–	–	–
Transfers to Stage 3	(442)	(40,963)	41,405	–	–
Decrease account due to write-offs	–	–	(3,509)	–	(3,509)
Foreign exchange adjustments	34,751	3,110	(177)	(21)	37,663
Total non-retail gross carrying amount as at 31 December 2022	**17,402,955**	**2,541,618**	**219,746**	**48,051**	**20,212,370**
Retail					
Gross carrying amount as at 1 January 2022	15,756,904	2,307,299	784,900	197,325	19,046,428
New assets originated or purchased	7,473,920	61,022	14,668	17,738	7,567,348
Assets derecognized or repaid (excluding write-offs)	(4,842,441)	(826,530)	(361,078)	(38,379)	(6,068,428)
Transfers to Stage 1	2,546,929	(2,520,347)	(26,582)	–	–
Transfers to Stage 2	(3,455,508)	3,524,896	(69,388)	–	–
Transfers to Stage 3	(41,111)	(422,904)	464,015	–	–
Decrease due to write-offs	–	–	(106,722)	–	(106,722)
Foreign exchange adjustments	(322)	8,921	3,851	1,323	13,773
Total retail gross carrying amount as at 31 December 2022	**17,438,371**	**2,132,357**	**703,664**	**178,007**	**20,452,399**
Total gross carrying amount	**34,841,326**	**4,673,975**	**923,410**	**226,058**	**40,664,769**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the gross carrying amount as follows:

Bank

In RON thousand **2021**

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Gross carrying amount as at 1 January 2021	9,817,307	2,281,947	268,157	57,866	12,425,277
New assets originated or purchased	10,052,919	910,968	42,929	1,025	11,007,841
Assets derecognized or repaid (excluding write-offs)	(7,468,170)	(1,183,294)	(60,982)	(8,682)	(8,721,128)
Transfers to Stage 1	825,395	(825,394)	(1)	–	–
Transfers to Stage 2	(809,824)	809,824	–	–	–
Transfers to Stage 3	(488)	(54,027)	54,515	–	–
Decrease account due to write-offs	–	–	(61,018)	–	(61,018)
Foreign exchange adjustments	112,837	26,705	2,341	235	142,118
Total non-retail gross carrying amount as at 31 December 2021	**12,529,976**	**1,966,729**	**245,941**	**50,444**	**14,793,090**
Retail					
Gross carrying amount as at 1 January 2021	14,058,484	2,069,454	742,149	210,194	17,080,281
New assets originated or purchased	7,591,720	109,953	–	3,166	7,704,839
Assets derecognized or repaid (excluding write-offs)	(4,577,377)	(914,943)	(183,869)	(19,233)	(5,695,422)
Transfers to Stage 1	1,935,867	(1,910,161)	(25,706)	–	–
Transfers to Stage 2	(3,232,073)	3,294,537	(62,464)	–	–
Transfers to Stage 3	(41,166)	(361,839)	403,005	–	–
Decrease due to write-offs	–	(22)	(94,368)	–	(94,390)
Foreign exchange adjustments	21,449	20,320	6,153	3,198	51,120
Total retail gross carrying amount as at 31 December 2021	**15,756,904**	**2,307,299**	**784,900**	**197,325**	**19,046,428**
Total gross carrying amount	**28,286,880**	**4,274,028**	**1,030,841**	**247,769**	**33,839,518**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the ECL allowances as follows:

Group

In RON thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
ECL allowance as at 1 January 2022	129,163	93,669	174,680	38,752	436,264
New assets originated or purchased	104,911	56,924	15,588	–	177,423
Assets derecognized or repaid (excluding write-offs)	(48,170)	(28,773)	(43,231)	(990)	(121,164)
Transfers to Stage 1	30,417	(30,417)	–	–	–
Transfers to Stage 2	(10,620)	10,620	–	–	–
Transfers to Stage 3	(1)	(1,520)	1,521	–	–
ECL of exposures transferred between stages during the year	(44,740)	(16,970)	(2,370)	33	(64,047)
Decrease in allowance account due to write-offs	–	–	(3,509)	–	(3,509)
Foreign exchange adjustments	(373)	(343)	(78)	1	(793)
Total non-retail ECL as at 31 December 2022	**160,587**	**83,190**	**142,601**	**37,796**	**424,174**
Retail					
ECL allowance as at 1 January 2021	80,813	215,630	604,615	43,697	944,755
New assets originated or purchased	78,222	8,324	26,783	–	113,329
Assets derecognized or repaid (excluding write-offs)	(20,332)	(40,304)	(194,372)	(8,488)	(263,496)
Transfers to Stage 1	249,423	(232,678)	(16,745)	–	–
Transfers to Stage 2	(43,662)	86,915	(43,253)	–	–
Transfers to Stage 3	(1,040)	(74,945)	75,985	–	–
ECL of exposures transferred between stages during the year	(232,837)	270,695	178,290	1,977	218,125
Decrease in allowance account due to write-offs	–	(4)	(104,621)	–	(104,625)
Foreign exchange adjustments	(10)	1,278	2,479	533	4,280
Total retail ECL as at 31 December 2022	**110,577**	**234,911**	**529,161**	**37,719**	**912,368**
Total impairment allowance	**271,164**	**318,101**	**671,762**	**75,515**	**1,336,542**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the ECL allowances as follows:

Group

In RON thousand

					2021
	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
ECL allowance as at 1 January 2021	95,990	98,772	176,523	41,501	412,786
New assets originated or purchased	60,470	55,399	13,430	–	129,299
Assets derecognized or repaid (excluding write-offs)	(40,086)	(54,621)	(17,820)	(625)	(113,152)
Transfers to Stage 1	39,093	(39,092)	(1)	–	–
Transfers to Stage 2	(8,489)	8,489	–	–	–
Transfers to Stage 3	(3)	(1,786)	1,789	–	–
ECL of exposures transferred between stages during the year	(18,353)	25,454	108	(2,853)	4,356
Uncollected impaired interest	–	–	(747)	661	(86)
Decrease in allowance account due to write-offs	–	–	(2)	–	(2)
Foreign exchange adjustments	541	1,054	1,400	68	3,063
Total non-retail ECL as at 31 December 2021	**129,163**	**93,669**	**174,680**	**38,752**	**436,264**
Retail					
ECL allowance as at 1 January 2021	93,877	200,092	580,337	44,438	918,744
New assets originated or purchased	65,898	5,492	4,662	–	76,052
Assets derecognized or repaid (excluding write-offs)	(40,840)	(55,084)	(55,560)	(5,595)	(157,079)
Transfers to Stage 1	171,928	(155,951)	(15,977)	–	–
Transfers to Stage 2	(35,215)	76,987	(41,772)	–	–
Transfers to Stage 3	(583)	(62,377)	62,960	–	–
ECL of exposures transferred between stages during the year	(174,344)	203,817	174,499	3,724	207,696
Uncollected impaired interest	–	–	(948)	106	(842)
Decrease in allowance account due to write-offs	–	(22)	(108,296)	–	(108,318)
Foreign exchange adjustments	92	2,676	4,711	1,024	8,503
Total retail ECL as at 31 December 2021	**80,813**	**215,630**	**604,616**	**43,697**	**944,756**
Total impairment allowance	**209,976**	**309,299**	**779,296**	**82,449**	**1,381,020**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the ECL allowances as follows:

Bank

In RON thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
ECL allowance as at 1 January 2022	129,062	86,574	159,530	38,752	413,918
New assets originated or purchased	104,385	54,545	15,588	–	174,518
Assets derecognized or repaid (excluding write-offs)	(47,893)	(28,367)	(42,856)	(990)	(120,106)
Transfers to Stage 1	30,417	(30,417)	–	–	–
Transfers to Stage 2	(10,620)	10,620	–	–	–
Transfers to Stage 3	(1)	(1,520)	1,521	–	–
ECL of exposures transferred between stages during the year	(44,875)	(15,360)	(749)	33	(60,951)
Uncollected impaired interest	–	–	(3,509)	–	(3,509)
Foreign exchange adjustments	(373)	(340)	(70)	1	(782)
At 31 December 2022	**160,102**	**75,735**	**129,455**	**37,796**	**403,088**
Retail					
ECL allowance as at 1 January 2022	76,940	215,841	589,359	43,706	925,846
New assets originated or purchased	76,081	7,727	26,767	–	110,575
Assets derecognized or repaid (excluding write-offs)	(19,847)	(39,998)	(191,819)	(8,488)	(260,152)
Transfers to Stage 1	249,423	(232,678)	(16,745)	–	–
Transfers to Stage 2	(43,662)	86,915	(43,253)	–	–
Transfers to Stage 3	(1,040)	(74,945)	75,985	–	–
ECL of exposures transferred between stages during the year	(232,899)	268,618	180,137	1,968	217,824
Decrease in allowance account due to write-offs	–	(4)	(104,211)	–	(104,215)
Foreign exchange adjustments	(7)	1,279	2,483	533	4,288
At 31 December 2022	**104,989**	**232,755**	**518,703**	**37,719**	**894,166**
Total impairment allowance	**265,091**	**308,490**	**648,158**	**75,515**	**1,297,254**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the ECL allowances as follows:

Bank

In RON thousand

2021	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
ECL allowance as at 1 January 2021	94,119	94,301	160,608	41,501	390,529
New assets originated or purchased	59,376	54,765	13,430	–	127,571
Assets derecognized or repaid (excluding write-offs)	(39,997)	(54,245)	(16,510)	(625)	(111,377)
Transfers to Stage 1	39,093	(39,092)	(1)	–	–
Transfers to Stage 2	(8,489)	8,489	–	–	–
Transfers to Stage 3	(3)	(1,786)	1,789	–	–
ECL of exposures transferred between stages during the year	(15,561)	23,129	(246)	(2,853)	4,469
Uncollected impaired interest	–	–	(747)	661	(86)
Foreign exchange adjustments	524	1,013	1,207	68	2,812
At 31 December 2021	**129,062**	**86,574**	**159,530**	**38,752**	**413,918**
Retail					
ECL allowance as at 1 January 2021	87,843	200,669	561,285	44,447	894,244
New assets originated or purchased	64,347	5,264	4,653	–	74,264
Assets derecognized or repaid (excluding write-offs)	(39,954)	(54,749)	(52,607)	(5,595)	(152,905)
Transfers to Stage 1	171,928	(155,951)	(15,977)	–	–
Transfers to Stage 2	(35,215)	76,987	(41,772)	–	–
Transfers to Stage 3	(583)	(62,377)	62,960	–	–
ECL of exposures transferred between stages during the year	(171,500)	203,367	175,752	3,724	211,343
Uncollected impaired interest	–	–	(948)	106	(842)
Decrease in allowance account due to write-offs	–	(22)	(108,259)	–	(108,281)
Foreign exchange adjustments	74	2,653	4,272	1,024	8,023
At 31 December 2021	**76,940**	**215,841**	**589,359**	**43,706**	**925,846**
Total impairment allowance	**206,002**	**302,415**	**748,889**	**82,458**	**1,339,764**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the ECL allowances for secured retail portfolio as follows:

Group

In RON thousand 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
Retail secured					
Gross carrying amount as at 1 January 2022	18,442	116,819	189,310	35,439	360,010
New assets originated or purchased	2,569	5	3,075	2,645	8,294
Assets derecognized or repaid (excluding write-offs)	(1,179)	(8,799)	(20,532)	(3,513)	(34,023)
Transfers to Stage 1	112,996	(106,800)	(5,784)	–	412
Transfers to Stage 2	(8,530)	30,882	(22,307)	–	45
Transfers to Stage 3	(104)	(10,974)	11,150	–	72
ECL of exposures transferred between stages during the year	(97,902)	70,160	20,890	(861)	(7,713)
Decrease in allowance account due to write-offs	–	–	(918)	–	(918)
Foreign exchange adjustments	(8)	1,413	2,841	535	4,781
Total retail secured gross carrying amount as at 31 December 2022	**26,284**	**92,706**	**177,725**	**34,245**	**330,960**

Group

In RON thousand 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Retail secured					
Gross carrying amount as at 1 January 2021	18,354	93,775	209,641	40,176	361,946
New assets originated or purchased	3,473	606	2,763	2,339	9,181
Assets derecognized or repaid (excluding write-offs)	(688)	(19,883)	(27,372)	(5,481)	(53,424)
Transfers to Stage 1	71,363	(66,516)	(4,847)	–	–
Transfers to Stage 2	(6,408)	27,716	(21,308)	–	–
Transfers to Stage 3	(27)	(9,768)	9,795	–	–
ECL of exposures transferred between stages during the year	(67,698)	88,011	17,152	(5,141)	32,324
Uncollected impaired interest	–	–	–	2,532	2,532
Decrease in allowance account due to write-offs	–	–	(1,266)	–	(1,266)
Foreign exchange adjustments	73	2,878	4,907	1,014	8,872
Total retail secured gross carrying amount as at 31 December 2021	**18,442**	**116,819**	**189,465**	**35,439**	**360,165**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the ECL allowances for secured retail portfolio as follows:

Bank

Ini RON thousand 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
Retail secured					
Gross carrying amount as at 1 January 2022	18,442	116,819	189,310	35,439	360,010
New assets originated or purchased	2,569	5	3,075	2,645	8,294
Assets derecognized or repaid (excluding write-offs)	(1,179)	(8,799)	(20,532)	(3,513)	(34,023)
Transfers to Stage 1	112,996	(106,800)	(5,784)	–	412
Transfers to Stage 2	(8,530)	30,882	(22,307)	–	45
Transfers to Stage 3	(104)	(10,974)	11,150	–	72
ECL of exposures transferred between stages during the year	(97,902)	70,160	20,890	(861)	(7,713)
Decrease in allowance account due to write-offs	–	–	(918)	–	(918)
Foreign exchange adjustments	(8)	1,413	2,841	535	4,781
Total retail secured gross carrying amount as at 31 December 2022	**26,284**	**92,706**	**177,725**	**34,245**	**330,960**

Bank

Ini RON thousand 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Retail secured					
Gross carrying amount as at 1 January 2021	18,354	93,775	209,641	40,176	361,946
New assets originated or purchased	3,473	606	2,763	2,339	9,181
Assets derecognized or repaid (excluding write-offs)	(688)	(19,883)	(27,372)	(5,481)	(53,424)
Transfers to Stage 1	71,363	(66,516)	(4,847)	–	–
Transfers to Stage 2	(6,408)	27,716	(21,308)	–	–
Transfers to Stage 3	(27)	(9,768)	9,795	–	–
ECL of exposures transferred between stages during the year	(67,698)	88,011	17,152	(5,141)	32,324
Uncollected impaired interest	–	–	–	2,532	2,532
Decrease in allowance account due to write-offs	–	–	(1,266)	–	(1,266)
Foreign exchange adjustments	73	2,878	4,907	1,014	8,872
Total retail secured gross carrying amount as at 31 December 2021	**18,442**	**116,819**	**189,465**	**35,439**	**360,165**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the gross carrying for off-balance sheet exposures as follows:

Group

In RON thousand

2022

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Gross carrying amount as at 1 January 2022	12,960,358	450,753	113,668	22	13,524,801
New assets originated or purchased	14,366,143	307,440	41,753	145	14,715,481
Assets derecognized or repaid (excluding write-offs)	(10,694,139)	(590,890)	(57,458)	(7)	(11,342,494)
Transfers to Stage 1	596,141	(596,141)	–	–	–
Transfers to Stage 2	(1,284,469)	1,284,469	–	–	–
Transfers to Stage 3	(33)	(25,920)	25,953	–	–
Foreign exchange adjustments	33,321	(417)	(553)	–	32,351
Total non-retail gross carrying amount as at 31 December 2022	**15,977,322**	**829,294**	**123,363**	**160**	**16,930,139**
Retail					
Gross carrying amount as at 1 January 2022	2,080,801	1,355,405	11,861	3,409	3,451,476
New assets originated or purchased	829,547	252,163	4,531	1,855	1,088,096
Assets derecognized or repaid (excluding write-offs)	(565,978)	(136,096)	(10,773)	(1,512)	(714,359)
Transfers to Stage 1	997,060	(993,567)	(3,493)	–	–
Transfers to Stage 2	(937,533)	941,459	(3,926)	–	–
Transfers to Stage 3	(7,520)	(6,779)	14,299	–	–
Foreign exchange adjustments	37	(2)	–		35
Total retail gross carrying amount as at 31 December 2022	**2,396,414**	**1,412,583**	**12,499**	**3,752**	**3,825,248**
Total valoare contabilitate brută	**18,373,736**	**2,241,877**	**135,862**	**3,912**	**20,755,387**

Group

In RON thousand

2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Gross carrying amount as at 1 January 2021	9,831,942	560,354	132,872	–	10,525,168
New assets originated or purchased	11,084,391	375,727	39,916	22	11,500,056
Assets derecognized or repaid (excluding write-offs)	(8,024,988)	(512,342)	(65,451)	–	(8,602,781)
Transfers to Stage 1	425,735	(425,735)	–	–	–
Transfers to Stage 2	(453,558)	453,558	–	–	–
Transfers to Stage 3	–	(5,206)	5,206	–	–
Foreign exchange adjustments	96,836	4,397	1,125	–	102,358
Total non-retail gross carrying amount as at 31 December 2021	**12,960,358**	**450,753**	**113,668**	**22**	**13,524,801**
Retail					
Gross carrying amount as at 1 January 2021	2,479,834	1,336,928	12,158	–	3,828,920
New assets originated or purchased	531,923	43,863	1,401	3,409	580,596
Assets derecognized or repaid (excluding write-offs)	(1,031,331)	81,352	(8,076)	–	(958,055)
Transfers to Stage 1	1,017,193	(1,013,978)	(3,215)	–	–
Transfers to Stage 2	(909,815)	913,483	(3,668)	–	–
Transfers to Stage 3	(6,804)	(6,457)	13,261	–	–
Foreign exchange adjustments	(199)	214	–	–	15
Total retail gross carrying amount as at 31 December 2021	**2,080,801**	**1,355,405**	**11,861**	**3,409**	**3,451,476**
Total valoare contabilitate brută	**15,041,159**	**1,806,158**	**125,529**	**3,431**	**16,976,277**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the gross carrying for off-balance sheet exposures as follows:

Bank

In RON thousand 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Gross carrying amount as at 1 January 2022	12,916,324	445,709	113,368	22	13,475,423
New assets originated or purchased	14,591,752	307,440	41,753	145	14,941,090
Assets derecognized or repaid (excluding write-offs)	(10,770,855)	(588,904)	(56,888)	(7)	(11,416,654)
Transfers to Stage 1	596,141	(596,141)	–	–	–
Transfers to Stage 2	(1,284,469)	1,284,469	–	–	–
Transfers to Stage 3	(33)	(25,920)	25,953	–	–
Foreign exchange adjustments	33,321	(417)	(553)	–	32,351
Total non-retail gross carrying amount as at 31 December 2022	**16,082,181**	**826,236**	**123,633**	**160**	**17,032,210**
Retail					
Gross carrying amount as at 1 January 2022	2,291,419	1,354,486	11,592	3,409	3,660,906
New assets originated or purchased	829,547	252,163	4,531	1,855	1,088,096
Assets derecognized or repaid (excluding write-offs)	(798,483)	(135,469)	(10,774)	(1,512)	(946,238)
Transfers to Stage 1	997,060	(993,567)	(3,493)	–	–
Transfers to Stage 2	(937,533)	941,459	(3,926)	–	–
Transfers to Stage 3	(7,520)	(6,779)	14,299	–	–
Foreign exchange adjustments	37	(2)	–	–	35
Total retail gross carrying amount as at 31 December 2022	**2,374,527**	**1,412,291**	**12,229**	**3,752**	**3,802,799**
Total gross carrying amount	**18,456,708**	**2,238,527**	**135,862**	**3,912**	**20,835,009**

Bank

In RON thousand 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Gross carrying amount as at 1 January 2021	9,735,319	559,910	132,316	–	10,427,545
New assets originated or purchased	11,075,042	371,127	39,904	22	11,486,095
Assets derecognized or repaid (excluding write-offs)	(7,963,050)	(512,342)	(65,184)	–	(8,540,576)
Transfers to Stage 1	425,735	(425,735)	–	–	–
Transfers to Stage 2	(453,558)	453,558	–	–	–
Transfers to Stage 3	–	(5,206)	5,206	–	–
Foreign exchange adjustments	96,836	4,397	1,126	–	102,359
Total non-retail gross carrying amount as at 31 December 2021	**12,916,324**	**445,709**	**113,368**	**22**	**13,475,423**
Retail					
Gross carrying amount as at 1 January 2021	2,454,826	1,336,928	12,160	–	3,803,914
New assets originated or purchased	515,025	42,501	1,401	3,409	562,336
Assets derecognized or repaid (excluding write-offs)	(779,107)	81,797	(8,349)	–	(705,659)
Transfers to Stage 1	1,017,193	(1,013,978)	(3,215)	–	–
Transfers to Stage 2	(909,815)	913,483	(3,668)	–	–
Transfers to Stage 3	(6,804)	(6,457)	13,261	–	–
Foreign exchange adjustments	101	212	2	–	315
Total retail gross carrying amount as at 31 December 2021	**2,291,419**	**1,354,486**	**11,592**	**3,409**	**3,660,906**
Total gross carrying amount	**15,207,743**	**1,800,195**	**124,960**	**3,431**	**17,136,329**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the ECL for off-balance sheet exposures allowances as follows:

Group

In RON thousand 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
ECL allowance as at 1 January 2022	8,596	3,464	47,574	–	59,634
New assets originated or purchased	9,920	1,309	16,833	–	28,062
Assets derecognized or repaid (excluding write-offs)	(2,422)	(2,746)	(15,908)	–	(21,076)
Transfers to Stage 1	3,413	(3,413)	–	–	–
Transfers to Stage 2	(855)	855	–	–	–
Transfers to Stage 3	–	(287)	287	–	–
Impact on changes due to change in credit risk (net)	(2,696)	2,845	(625)	–	(476)
Foreign exchange adjustments	21	2	(243)	–	(220)
Total non-retail ECL as at 31 December 2022	**15,977**	**2,029**	**47,918**	**–**	**65,924**
Retail					
ECL allowance as at 1 January 2022	3,306	5,202	6,757	2,110	17,375
New assets originated or purchased	4,652	1,204	883	742	7,481
Assets derecognized or repaid (excluding write-offs)	(1,592)	(1,887)	(6,557)	(1,053)	(11,089)
Transfers to Stage 1	9,920	(7,520)	(2,392)	(8)	–
Transfers to Stage 2	(1,220)	3,400	(2,204)	24	–
Transfers to Stage 3	(15)	(101)	114	2	–
Impact on changes due to change in credit risk (net)	(10,225)	6,467	10,904	398	7,544
Foreign exchange adjustments	–	–	–	–	–
Total retail ECL as at 31 December 2022	**4,826**	**6,765**	**7,505**	**2,215**	**21,311**
Total impairment allowance	**20,803**	**8,794**	**55,423**	**2,215**	**87,235**

Group

In RON thousand 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
ECL allowance as at 1 January 2021	27,445	9,807	49,355	–	86,607
New assets originated or purchased	17,304	7,049	9,848	–	34,201
Assets derecognized or repaid (excluding write-offs)	(4,070)	(2,348)	(16,032)	–	(22,450)
Transfers to Stage 1	3,038	(3,038)	–	–	–
Transfers to Stage 2	(1,429)	1,429	–	–	–
Transfers to Stage 3	–	(921)	921	–	–
Impact on changes due to change in credit risk (net)	(33,892)	(8,583)	3,185	–	(39,290)
Foreign exchange adjustments	200	69	297	–	566
Total non-retail ECL as at 31 December 2021	**8,596**	**3,464**	**47,574**	**–**	**59,634**
Retail					
ECL allowance as at 1 January 2021	2,304	3,519	10,090	–	15,913
New assets originated or purchased	2,331	660	838	2,176	6,005
Assets derecognized or repaid (excluding write-offs)	(407)	(1,114)	(1,440)	–	(2,961)
Transfers to Stage 1	5,806	(3,632)	(2,165)	(9)	–
Transfers to Stage 2	(650)	2,886	(2,293)	57	–
Transfers to Stage 3	(11)	(69)	76	4	–
Impact on changes due to change in credit risk (net)	(6,067)	2,952	1,650	(118)	(1,583)
Foreign exchange adjustments	–	–	1	–	1
Total retail ECL as at 31 December 2021	**3,306**	**5,202**	**6,757**	**2,110**	**17,375**
Total impairment allowance	**11,902**	**8,666**	**54,331**	**2,110**	**77,009**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present an analysis of changes in the ECL for off-balance sheet exposures allowances as follows:

Bank

In RON thousand 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
ECL allowance as at 1 January 2022	8,457	3,419	47,574	–	59,450
New assets originated or purchased	9,738	1,272	16,833	–	27,843
Assets derecognized or repaid (excluding write-offs)	(2,283)	(2,701)	(15,908)	–	(20,892)
Transfers to Stage 1	3,413	(3,413)	–	–	–
Transfers to Stage 2	(855)	855	–	–	–
Transfers to Stage 3	–	(287)	287	–	–
Impact on changes due to change in credit risk (net)	(2,696)	2,845	(625)	–	(476)
Foreign exchange adjustments	21	2	(243)	–	(220)
Total non-retail ECL as at 31 December 2022	**15,795**	**1,992**	**47,918**	**–**	**65,705**
Retail					
ECL allowance as at 1 January 2022	3,095	5,112	6,809	2,059	17,075
New assets originated or purchased	4,367	1,141	883	742	7,133
Assets derecognized or repaid (excluding write-offs)	(1,382)	(1,797)	(6,557)	(1,053)	(10,789)
Transfers to Stage 1	9,920	(7,520)	(2,392)	(8)	–
Transfers to Stage 2	(1,220)	3,400	(2,204)	24	–
Transfers to Stage 3	(15)	(101)	114	2	–
Impact on changes due to change in credit risk (net)	(10,224)	6,467	10,851	449	7,543
Foreign exchange adjustments	–	–	–	–	–
Total retail ECL as at 31 December 2022	**4,541**	**6,702**	**7,504**	**2,215**	**20,962**
Total impairment allowance	**20,336**	**8,694**	**55,422**	**2,215**	**86,667**

Bank

In RON thousand 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
ECL allowance as at 1 January 2021	27,445	9,807	49,355	–	86,607
New assets originated or purchased	16,902	7,004	9,848	–	33,754
Assets derecognized or repaid (excluding write-offs)	(3,807)	(2,348)	(16,032)	–	(22,187)
Transfers to Stage 1	3,038	(3,038)	–	–	–
Transfers to Stage 2	(1,429)	1,429	–	–	–
Transfers to Stage 3	–	(921)	921	–	–
Impact on changes due to change in credit risk (net)	(33,892)	(8,583)	3,185	–	(39,290)
Foreign exchange adjustments	200	69	297	–	566
Total non-retail ECL as at 31 December 2021	**8,457**	**3,419**	**47,574**	**–**	**59,450**
Retail					
ECL allowance as at 1 January 2021	2,304	3,519	10,090	–	15,913
New assets originated or purchased	2,102	570	838	2,176	5,686
Assets derecognized or repaid (excluding write-offs)	(388)	(1,114)	(1,388)	–	(2,890)
Transfers to Stage 1	5,806	(3,632)	(2,165)	(9)	–
Transfers to Stage 2	(650)	2,886	(2,293)	57	–
Transfers to Stage 3	(11)	(69)	76	4	–
Impact on changes due to change in credit risk (net)	(6,068)	2,952	1,650	(169)	(1,635)
Foreign exchange adjustments	–	–	1	–	1
Total retail ECL as at 31 December 2021	**3,095**	**5,112**	**6,809**	**2,059**	**17,075**
Total impairment allowance	**11,552**	**8,531**	**54,383**	**2,059**	**76,525**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Non-performing exposure, in accordance with EBA/ITS/2013/03/rev1 Regulation from July 24th 2014 with subsequent amendments, can be analyzed as follows:

	GROUP		BANK	
In RON thousand	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Exposure	**1,064,177**	**1,192,678**	**1,029,025**	**1,149,717**
out of which retail:	779,825	876,158	761,226	853,390
out of which non-retail:	284,352	316,520	267,799	296,327
Impairment allowance	**744,645**	**854,984**	**721,041**	**826,718**
out of which retail:	553,267	650,038	542,450	636,562
out of which non-retail:	191,378	204,946	178,591	190,156
Net Book Value	**319,532**	**337,694**	**307,984**	**322,999**
out of which retail:	226,558	226,120	218,776	216,828
out of which non-retail:	92,974	111,574	89,208	106,171

During the financial year 2022, the following existing loans were modified and have not resulted in derecognition:

Group

In RON thousand

	Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost before modification	**395,536**	**59,305**	**51,479**	**306**	**506,626**
Net modification gain/loss	(9,715)	(1,268)	(1,149)	(6)	(12,138)
Amortized cost after modification	**385,821**	**58,037**	**50,330**	**300**	**494,488**

Bank

In RON thousand

	Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost before modification	**395,536**	**59,305**	**51,479**	**306**	**506,626**
Net modification gain/loss	(9,715)	(1,268)	(1,149)	(6)	(12,138)
Amortized cost after modification	**385,821**	**58,037**	**50,330**	**300**	**494,488**

During the financial year 2021, the following existing loans were modified and have not resulted in derecognition:

Group

In RON thousand

	Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost before modification	**313,582**	**95,381**	**38,556**	**1,507**	**449,026**
Net modification gain/loss	(5,913)	(2,419)	(993)	(36)	(9,361)
Amortized cost after modification	**307,669**	**92,962**	**37,563**	**1,471**	**439,665**

Bank

In RON thousand

	Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost before modification	**313,582**	**95,381**	**38,556**	**1,507**	**449,026**
Net modification gain/loss	(5,913)	(2,419)	(993)	(36)	(9,361)
Amortized cost after modification	**307,669**	**92,962**	**37,563**	**1,471**	**439,665**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 (the ECL for lease exposure is presented within the Group total ECL):

In RON thousand	31 December 2022
Less than one year	103,251
1 to 2 years	183,741
Two to 3 years	252,496
Three to 4 years	297,570
Four to 5 years	361,029
More than 5 years	74,373
Total undiscounted lease payments receivables	**1,272,460**
Unearned finance income	(100,077)
Net investment in lease	**1,172,383**

In RON thousand	31 December 2021
Less than one year	80,167
1 to 2 years	167,314
Two to 3 years	276,778
Three to 4 years	256,604
Four to 5 years	276,050
More than 5 years	74,091
Total undiscounted lease payments receivables	**1,131,004**
Unearned finance income	(55,843)
Net investment in lease	**1,075,161**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

22. INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	GROUP		BANK	
In RON thousand	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Stage 1				
Bonds issued by the Government of Romania	2,638,819	3,333,589	2,628,927	3,236,661
Bonds issued by other public sector	367,300	295,014	367,300	295,014
Bonds issued by credit institutions	92,943	23,578	92,943	23,578
Total	**3,099,062**	**3,652,181**	**3,089,170**	**3,555,253**
Stage 2				
Bonds issued by other public sector	6,336	8,563	6,336	8,563
Total	**6,336**	**8,563**	**6,336**	**8,563**
Total investment securities at fair value through other comprehensive income	**3,105,398**	**3,660,744**	**3,095,506**	**3,563,816**

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 31 December 2022, treasury securities amounting to RON 71,071 thousand (31 December 2021: RON 73,495 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 0.70% p.a. and 9.57% p.a.

Bonds issued by credit institutions are valued using valuation models based on observable inputs (Level II), bonds issued by other public sector entities are valued using valuation models based on observable an unobservable inputs (Level III), while the rest of the instruments are valued based on quoted market prices (Level I).

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	GROUP		BANK	
In RON thousand	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Unquoted equity instruments	17,374	13,395	17,374	13,395
Quoted equity instruments	54,114	36,371	54,114	36,371
Total equity instruments at fair value through other comprehensive income	**71,488**	**49,766**	**71,488**	**49,766**

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 or loss. 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 2022 amounting to RON 2,180 thousand (2021: RON 1,481 thousand).

The Group holds shares in Visa Inc., a company providing payment services for Visa cards. 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.

In July 2022 a second conversion of Visa Inc. C-shares into tradeable A-shares took place and the Bank received 17,821 Class A Preferred Stock with an approximate market value of EUR 3.7 mn. The remaining Class C Stock has an indicative value of EUR 3.6 mn after completion of the conversion. 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. At the end of 2022 VISA shares are as follows: Class A 56,200 shares with a market value of RON 54 million and Class C 5,606 share with a market value of RON 16 million.

24. INVESTMENT SECURITIES AT AMORTISED COST

	GROUP		BANK	
In RON thousand	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Stage 1				
Bonds issued by credit institutions	386,191	244,236	386,191	243,193
Bonds issued by the Government of Romania quoted	3,434,083	5,061,011	3,372,704	4,935,625
Bonds issued by the Government of Romania unquoted	5,380,580	3,245,217	5,370,907	3,235,537
Total investment securities at amortized cost	**9,200,854**	**8,550,464**	**9,129,802**	**8,414,355**

At 31 December 2022, 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 26,683 thousand (2021: RON 32,762 thousand).

As at 31 December 2022, bonds issued by the Government of Romania amounting to RON 109,063 (2021: RON 109,249 thousand) are pledged as security in order to comply with National Bank of Romania prudential regulations for settlement of inter-banking operations.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

25. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Subsidiaries, associates and joint ventures

	GROUP		BANK	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Balance at 1 January	**32,243**	**29,419**	**247,802**	**157,803**
Additions (i)	–	–	7,000	89,999
Disposals	–	–	(66,771)	–
Group's share of gain from associates	648	2,824	–	–
Total	**32,891**	**32,243**	**188,031**	**247,802**
Impairment allowance (i)	–	–	(81,160)	(121,282)
Balance at 31 December	**32,891**	**32,243**	**106,871**	**126,520**

(i) (i) Following the litigation with the Romanian Court of Auditors (further detailed in *Note 36 Provisions*), ABL increased the share capital in order to comply with capital adequacy internal limit. As such during 2022 the increase in share capital of ABL was in amount of RON 7,000 thousands. In 2022 was performed an writte down of the participation of ABL in amount of RON 66,771 thousand by using the provision already booked, in order to comply with the capital legal ratio.

During 2022, ABL transferred most of the loan portfolio to Raiffeisen Bank SA. In accordance with its strategy, during 2023 ABL will further identify ways of gradually decreasing its activity, with the main objective to fulfil its existing contractual obligations, while adopting optimal solutions required to serve its clients. The management estimates that this process will extend over a horizon of more than 12 months. The Group will continue to provide support for fulfilment of the objectives proposed by the ABL.

The Group's interests in its associates that are unlisted are as follows:

Investments in associates

In RON thousand	Assets	Liabilities	Revenues	Interest income	Interest expense	Income taxes	Profit	Net assets	Interest held	% Net assets	Carrying amount
31 December 2022											
Fondul de Garantare a Creditului Rural IFN SA	1,013,628	956,976	21,075	3,420	98	161	1,320	56,652	33,33%	18,882	19,169
CIT One	124,032	82,431	230,538	–	3,173	786	287	41,601	33,33%	13,866	13,722
31 December 2021											
Fondul de Garantare a Creditului Rural IFN SA	780,616	725,283	20,179	1,240	430	–	1,292	55,333	33,33%	18,442	18,729
CIT One	99,220	58,236	176,602	–	1,025	151	8,412	40,984	33,33%	13,660	13,514

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:

	GROUP		BANK	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Loans and advances to customers	153,935	214,373	153,935	214,373
Debt instruments	30,523	43,535	16,478	29,009
Total	**184,458**	**257,908**	**170,413**	**243,382**

Group: Net gains on non-trading financial assets mandatorily at fair value through profit or loss for the period ended December 31st, 2022 are in amount of RON (38,335) thousand (2021: RON (13,352) thousand).

Bank: Net gains on non-trading financial assets mandatorily at fair value through profit or loss for the period ended December 31st, 2022 are in amount of RON (37,853) thousand (2021: RON (13,178) thousand).

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 2022 is RON 17 thousand, while at 31 December 2021 the Bank incurred a gain of RON 9 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 resulted from this hedge relationship at 31 December 2022 is RON 1,937 thousand, while at 31 December 2021 the gain is RON 1,836 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 2022	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
In RON thousand	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges				
Debt securities	26,683	–	–	–
	26,683	**–**	**–**	**–**
Macro fair value hedges				
Loan portfolio measured at amortized cost	280,379	–	–	11,398
	280,379	**–**	**–**	**11,398**
Total	**307,062**	**–**	**–**	**11,398**

31 December 2021	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
In RON thousand	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges				
Debt securities	32,762	–	–	–
	32,762	**–**	**–**	**–**
Macro fair value hedges				
Loan portfolio measured at amortized cost	324,234	–	–	3,466
	324,234	**–**	**–**	**3,466**
Total	**356,996**	**–**	**–**	**3,466**

	31 December 2022		31 December 2021	
In RON thousand	Notional amount	Liabilitiers	Notional amount	Liabilities
Micro fair value hedges				
Interest rate swap	29,684	3,218	29,689	3,003
	29,684	**3,218**	**29,689**	**3,003**
Macro fair value hedges				
Interest rate swap	125,000	5,137	125,000	5,295
	125,000	**5,137**	**125,000**	**5,295**
Total	**154,684**	**8,355**	**154,689**	**8,298**

During the period, the results of the hedge effectiveness assessments showed that the hedge relationships were effective. No situations of hedge ineffectiveness were identified.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

28. OTHER ASSETS

	GROUP		BANK	
In RON thousand	2022	2021	2022	2021
Payments	32,637	35,630	28,611	29,447
Tax audit (i)	85,383	85,383	85,383	85,383
Clearing claims from payment transfer business (ii)	230,525	241,283	230,525	241,283
Receivables from sale of loans	19,194	–	19,194	–
Sundry debtors (iii)	129,959	127,295	107,515	109,225
Inventories	7,749	6,691	7,704	6,653
Repossessed assets	24,667	24,741	24,360	24,337
Gross Book Value	**530,114**	**521,023**	**503,292**	**496,328**
Impairment	**(103,023)**	**(113,767)**	**(103,023)**	**(113,767)**
Net Book Value	**427,091**	**407,256**	**400,269**	**382,561**

(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 all 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.

As of 31 December 2022 the maximum exposure related to fiscal audit is RON 195,965 thousand resulted from:
(+) RON 262,413 thousand, total charges as result of tax audit paid by the Bank in 2019
(-) RON 27,605 thousand, refund from the administrative appeal resolution received in 2020
(-) RON 38,689 thousand, refund to be received for year 2011 that should not have been in the scope of audit.

No changes occurred in the amounts presented at December 2022 compared to December 2021 since the litigation did not have any relevant evolution.

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 represents the Bank in the litigation against the tax authority, the Bank increased the provision for the tax audit as of December 2021. The Bank recognised as of December 2021 additional provision in amount of RON 74,981 thousand.

The amounts receivable from the tax audit are presented under two balance sheet positions: other assets (the part representing withholding taxes and related penalties) and income tax receivable (the part representing income tax and related penalties). As of December 31, 2022, the amount reflected under other assets is RON 85,383 thousand (December 31, 2021: RON 85,383 thousand) and the correspondent provision is RON 53,985 thousand (December 31, 2021: RON 53,985 thousand). As of December 31, 2022, the amount reflected under income tax receivable is RON 130,129 thousand (December 31, 2021: RON 130,129 thousand) and the correspondent provision is RON 56,280 thousand (December 31, 2021: RON 56,280 thousand).

(ii) Clearing claims from payment transfer business include amounts to be settled as of December 31, 2022 like: cards transactions of RON 225,599 thousand (2021: RON 95,155 thousand).

(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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

In the tables below is presented the movement in impairment of other assets position:

Group
In RON thousand

	Impairment as at 1 January 2022	Increase	Decrease	Impairment as at 31 December 2022
Sundry debtors	49,908	17,919	(33,009)	34,818
Tax audit	53,985	–	–	53,985
Repossessed assets	9,715	4,018	(91)	13,642
Inventory	159	1,599	(1,180)	578
Total	**113,767**	**23,536**	**(34,280)**	**103,023**

Group
In RON thousand

	Impairment as at 1 January 2021	Increase	Decrease	Impairment as at 31 December 2021
Sundry debtors	53,407	6,973	(10,472)	49,908
Tax audit	17,191	36,794	–	53,985
Repossessed assets	10,552	–	(837)	9,715
Inventory	368	49	(258)	159
Total	**81,518**	**43,816**	**(11,567)**	**113,767**

Bank
In RON thousand

	Impairment as at 1 January 2022	Increase	Decrease	Impairment as at 31 December 2022
Sundry debtors	49,908	17,919	(33,009)	34,818
Tax audit	53,985	–	–	53,985
Repossessed assets	9,715	4,018	(91)	13,642
Inventory	159	1,599	(1,180)	578
Total	**113,767**	**23,536**	**(34,280)**	**103,023**

Bank
In RON thousand

	Impairment as at 1 January 2021	Increase	Decrease	Impairment as at 31 December 2021
Sundry debtors	53,407	6,973	(10,472)	49,908
Tax audit	17,191	36,794	–	53,985
Repossessed assets	10,552	–	(837)	9,715
Inventory	368	49	(258)	159
Total	**81,518**	**43,816**	**(11,567)**	**113,767**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

In the tables below is presented the split of other assets to customers by their quality:

	GROUP		BANK	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Financial assets	290,875	264,684	268,432	246,614
Non-financial assets	136,216	142,572	131,837	135,947
Total	**427,091**	**407,256**	**400,269**	**382,561**

Of which:

	GROUP		BANK	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Current assets	256,843	218,312	234,400	200,242
Impaired assets	34,032	46,372	34,032	46,372
Total	**290,875**	**264,684**	**268,432**	**246,614**

29. DEFERRED TAX

Deferred tax assets of the Group are attributable to the items detailed in the tables below:

Group

In RON thousand **31 December 2022**

	Assets	Liabilities	Net	Deferred tax asset/liability
Property, plant and equipment and intangible assets	1,012	160,201	(159,189)	(25,470)
Other liabilities	247,982	330	247,652	39,624
Actuarial gains/losses on defined benefit pension plans	–	1,964	(1,964)	(314)
Valuation reserve financial assets (FVOCI)	298,660	40,355	258,305	41,329
Provisions for liabilities and charges	237,917	–	237,917	38,066
Total	**785,571**	**202,850**	**582,721**	**93,235**

Group

In RON thousand **31 December 2021**

	Assets	Liabilities	Net	Deferred tax asset/liability
Property, plant and equipment and intangible assets	1,175	100,665	(99,490)	(15,918)
Other liabilities	166,570	–	166,570	26,651
Valuation reserve financial assets (FVOCI)	141,414	20,468	120,946	19,351
Provisions for liabilities and charges	128,165	–	128,165	20,507
Total	**437,324**	**121,133**	**316,191**	**50,591**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Deferred tax assets of the Bank are attributable to the items detailed in the tables below:

Bank

In RON thousand — 31 December 2022

	Assets	Liabilities	Net	Deferred tax asset/liability
Property, plant and equipment and intangible assets	1,012	160,201	(159,189)	(25,470)
Other liabilities	247,982	330	247,652	39,624
Actuarial gains/losses on defined benefit pension plans	–	1,964	(1,964)	(314)
Valuation reserve financial assets (FVOCI)	298,660	40,355	258,305	41,329
Provisions for liabilities and charges	215,913	–	215,913	34,546
Total	**763,567**	**202,850**	**560,717**	**89,715**

Bank

In RON thousand — 31 December 2021

	Assets	Liabilities	Net	Deferred tax asset/liability
Property, plant and equipment and intangible assets	1,175	100,665	(99,490)	(15,918)
Other liabilities	166,570	–	166,570	26,651
Valuation reserve financial assets (FVOCI)	141,414	20,468	120,946	19,351
Provisions for liabilities and charges	107,158	–	107,158	17,145
Total	**416,317**	**121,133**	**295,184**	**47,229**

Expenses and income deferred tax as at December 31, 2022 are attributable to the items detailed in the table below:

	GROUP		BANK	
In RON thousand	2022	2021	2022	2021
Property, plant and equipment and intangible assets	(9,552)	(6,176)	(9,552)	(6,176)
Valuation reserve financial assets	–	–	–	–
Other liabilities	12,973	6,880	12,973	6,880
Deferred tax income/(expense)	17,615	(6,844)	17,401	(4,962)
Deferred tax income/(expense)	**21,036**	**(6,140)**	**20,822**	**(4,258)**

Deferred tax related to items recognized in other comprehensive income during the year is due to unrealized gain/loss on financial assets (FVOCI).

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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	Righ-of-Use assets Land and buildings	Total
Cost						
Balance at 1 January 2021	**197,695**	**431,246**	**38,377**	**34,610**	**506,262**	**1,208,190**
Additions	2	3,024	781	34,254	35,177	73,238
Transfers	7,027	31,235	–	(38,262)	–	–
Disposals	(6,706)	(14,712)	(2,240)	–	(15,289)	(38,947)
Balance at 31 December 2021	**198,018**	**450,793**	**36,918**	**30,602**	**526,150**	**1,242,481**
Balance at 1 January 2022	**198,018**	**450,793**	**36,918**	**30,602**	**526,150**	**1,242,481**
Additions	49	2,835	238	65,133	60,711	128,966
Transfers	9,865	27,278	8,188	(45,331)	–	–
Disposals	(7,382)	(9,425)	(1,581)	–	(8,286)	(26,674)
Balance at 31 December 2022	**200,550**	**471,481**	**43,763**	**50,404**	**578,575**	**1,344,773**
Depreciation and impairment losses:						
Balance at 1 January 2021	**157,330**	**274,582**	**27,001**	**3,767**	**179,731**	**642,411**
Charge for the year	10,401	57,861	4,637	344	88,378	161,621
Disposals	(7,242)	(13,562)	(2,032)	–	(16,430)	(39,266)
Balance at 31 December 2021	**160,489**	**318,881**	**29,606**	**4,111**	**251,679**	**764,766**
Balance at 1 January 2022	**160,489**	**318,881**	**29,606**	**4,111**	**251,679**	**764,766**
Charge for the year	11,963	44,444	3,931	–	110,366	170,704
Disposals	(6,727)	(8,954)	(1,584)	(1,646)	(6,607)	(25,518)
Balance at 31 December 2022	**165,725**	**354,371**	**31,953**	**2,465**	**355,438**	**909,952**
Carrying amounts						
At 1 January 2021	**40,365**	**156,664**	**11,376**	**30,843**	**326,531**	**565,779**
At 31 December 2021	**37,529**	**131,912**	**7,312**	**26,491**	**274,471**	**477,715**
At 1 January 2022	**37,529**	**131,912**	**7,312**	**26,491**	**274,471**	**477,715**
At 31 December 2022	**34,825**	**117,110**	**11,810**	**47,939**	**223,137**	**434,821**

Under "Assets in progress" category, the Group includes investments in branch redesign, technological equipment, vehicles and furniture, which are not yet put in function.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Bank

In RON thousand

	Land and buildings	Furniture and computer equipment	Motor vehicles	Assets in progress	Righ-of-Use assets Land and buildings	Total
Cost						
Balance at 1 January 2021	**197,673**	**431,785**	**35,997**	**30,752**	**506,262**	**1,202,469**
Additions	–	2,849	781	34,254	35,177	73,061
Transfers	7,027	31,235	–	(38,262)	–	–
Disposals	(6,706)	(14,721)	(2,240)	–	(15,289)	(38,956)
Balance at 31 December 2021	**197,994**	**451,148**	**34,538**	**26,744**	**526,150**	**1,236,574**
Balance at 1 January 2022	**197,994**	**451,148**	**34,538**	**26,744**	**526,150**	**1,236,574**
Additions	–	2,722	–	65,133	60,711	128,566
Transfers	9,865	27,278	8,188	(45,331)	–	–
Disposals	(7,382)	(9,590)	(2,130)	–	(8,286)	(27,388)
Balance at 31 December 2022	**200,477**	**471,558**	**40,596**	**46,546**	**578,575**	**1,337,752**
Depreciation and impairment losses:						
Balance at 1 January 2021	**157,245**	**273,651**	**24,476**	**3,767**	**179,731**	**638,870**
Charge for the year	10,217	57,470	4,069	(402)	88,378	159,732
Disposals	(6,317)	(13,611)	(2,032)	–	(16,430)	(38,390)
Balance at 31 December 2021	**161,145**	**317,510**	**26,513**	**3,365**	**251,679**	**760,212**
Balance at 1 January 2022	**161,145**	**317,510**	**26,513**	**3,365**	**251,679**	**760,212**
Charge for the year	11,733	44,147	3,438	–	110,366	169,684
Disposals	(6,679)	(9,119)	(2,066)	(1,646)	(6,607)	(26,117)
Balance at 31 December 2022	**166,199**	**352,538**	**27,885**	**1,719**	**355,438**	**903,779**
Carrying amounts:						
At 1 January 2021	**40,428**	**158,134**	**11,521**	**26,985**	**326,531**	**563,599**
At 31 December 2021	**36,849**	**133,638**	**8,025**	**23,379**	**274,471**	**476,362**
At 1 January 2022	**36,849**	**133,638**	**8,025**	**23,379**	**274,471**	**476,362**
At 31 December 2022	**34,278**	**119,020**	**12,711**	**44,827**	**223,137**	**433,973**

Group: Purchases of property, plant and equipment during year 2022 were in amount of RON 68,255 thousand (2021: RON 38,061 thousand).

Bank: Purchases of property, plant and equipment during year 2022 were in amount of RON 67,855 thousand (2021: RON 37,884 thousand).

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Movement in the Right of Use Assets is detailed in the table below:

	GROUP	BANK
In RON thousand	**Land and buildings**	**Land and buildings**
Balance at 1 January 2022	**274,471**	**274,471**
Additions	63,726	63,726
Depreciation expense	(85,751)	(85,751)
Impairment charges	(24,615)	(24,615)
Disposals and other decreases	(6,607)	(6,607)
Contractual changes	1,913	1,913
Balance at 31 December 2022	**223,137**	**223,137**

	GROUP	BANK
In RON thousand	**Land and buildings**	**Land and buildings**
Balance at 1 January 2021	**326,531**	**326,531**
Additions	9,759	9,759
Depreciation expense	(71,809)	(71,809)
Disposals and other decreases	(19,544)	(19,544)
Contractual changes	29,534	29,534
Balance at 31 December 2021	**274,471**	**274,471**

Movement in the lease liability is detailed in the table below:

	GROUP	BANK
In RON thousand	**Lease liabilities**	**Lease liabilities**
Balance at 1 January 2022	**286,460**	**286,103**
Additions	59,047	59,077
Interest expense	2,148	2,148
Disposals and other decreases	–	–
Payments	(88,329)	(88,329)
Other movements (FX, contractual changes, interest paid)	(35)	(35)
Balance at 31 December 2022	**259,291**	**258,964**

	GROUP	BANK
In RON thousand	**Lease liabilities**	**Lease liabilities**
Balance at 1 January 2021	**335,493**	**335,493**
Additions	28,786	28,786
Interest expense	2,668	2,668
Disposals and other decreases	–	–
Payments	(92,579)	(92,579)
Other movements (FX, contractual changes, interest paid)	10,092	11,735
Balance at 31 December 2021	**286,460**	**286,103**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

31. INTANGIBLE ASSETS

Group

In RON thousand

	Purchased software	Assets in progress	Total
Cost			
Balance at 1 January 2021	**722,825**	**133,496**	**856,321**
Additions	299	114,815	115,114
Transfers	150,427	(150,427)	–
Disposals	(10,862)	–	(10,862)
Balance at 31 December 2021	**862,689**	**97,884**	**960,573**
Balance at 1 January 2022	**862,689**	**97,884**	**960,573**
Additions	1,415	131,429	132,844
Transfers	149,721	(149,721)	–
Disposals	(1,959)	–	(1,959)
Balance at 31 December 2022	**1,011,866**	**79,592**	**1,091,458**
Amortization and impairment losses:			
Balance at 1 January 2021	**552,165**	**–**	**552,165**
Charge for the year	66,627	–	66,627
Disposals	(7,319)	–	(7,319)
Balance at 31 December 2021	**611,473**	**–**	**611,473**
Balance at 1 January 2022	**611,473**	**–**	**611,473**
Charge for the year	88,423	–	88,423
Disposals	(1,942)	–	(1,942)
Balance at 31 December 2022	**697,954**	**–**	**697,954**
Carrying amounts:			
At 1 January 2021	**170,660**	**133,496**	**304,156**
At 31 December 2021	**251,216**	**97,884**	**349,100**
At 1 January 2022	**251,216**	**97,884**	**349,100**
At 31 December 2022	**313,912**	**79,592**	**393,504**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Bank

Ini RON thousand

	Purchased software	Assets in progress	Total
Cost			
Balance at 1 January 2021	**697,528**	**132,617**	**830,145**
Additions	–	115,093	115,093
Transfers	150,427	(150,427)	–
Disposals	(11,005)	–	(11,005)
Balance at 31 December 2021	**836,950**	**97,283**	**934,233**
Balance at 1 January 2022	**836,950**	**97,283**	**934,233**
Additions	–	131,271	131,271
Transfers	149,721	(149,721)	–
Disposals	(1,959)		(1,959)
Balance at 31 December 2022	**984,712**	**78,833**	**1,063,545**
Amortization and impairment losses:			
Balance at 1 January 2021	**529,681**	**–**	**529,681**
Charge for the year	65,561	–	65,561
Disposals	(7,319)	–	(7,319)
Balance at 31 December 2021	**587,923**	**–**	**587,923**
Balance at 1 January 2022	**587,923**	**–**	**587,923**
Charge for the year	87,358	–	87,358
Disposals	(1,942)	–	(1,942)
Balance at 31 December 2022	**673,339**	**–**	**673,339**
Carrying amounts:			
At 1 January 2021	**167,847**	**132,617**	**300,464**
At 31 December 2021	**249,027**	**97,283**	**346,310**
At 1 January 2022	**249,027**	**97,283**	**346,310**
At 31 December 2022	**311,373**	**78,833**	**390,206**

Group: Purchases of intangible assets during year 2022 were in amount of RON 132,844 thousand (2021: RON 115,114 thousand).

Bank: Purchases of intangible assets during year 2022 were in amount of RON 131,271 thousand (2021: RON 115,093 thousand).

32. DEPOSITS FROM BANKS

	GROUP		BANK	
In RON thousand	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Payable on demand	535,364	357,083	535,364	357,083
Term deposits	42,742	479	42,742	479
Total	**578,106**	**357,562**	**578,106**	**357,562**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

33. DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
In RON thousand	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Payable on demand				
Retail customers	24,678,579	27,112,260	24,663,346	27,023,260
Non-retail customers	8,798,157	10,058,188	8,861,140	10,086,020
	33,476,736	**37,170,448**	**33,524,486**	**37,109,280**
Term deposits				
Retail customers	11,436,144	8,996,716	11,436,144	8,996,716
Non-retail customers	4,320,631	3,535,355	4,320,631	3,535,355
	15,756,775	**12,532,071**	**15,756,775**	**12,532,071**
Savings accounts				
Retail customers	57	58	57	58
	57	**58**	**57**	**58**
Total	**49,233,568**	**49,702,577**	**49,281,318**	**49,641,409**

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	
In RON thousand	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Senior loans from banks and financial institutions	390,285	345,077	3,943	8,611
Of which unsecured	109,975	49,645	–	–
Debt securities issued	3,887,808	2,118,575	3,887,808	2,118,575
Subordinated liabilities	323,726	323,334	323,678	323,334
Total	**4,601,819**	**2,786,986**	**4,215,429**	**2,450,520**

(i) Senior loans from banks and financial institutions are detailed in the table from below:

	GROUP		BANK	
In RON thousand	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Commercial banks	109,975	49,646	–	–
Multilateral Development Banks	276,367	286,820	–	–
Other financial institutions	3,943	8,611	3,943	8,611
Total loans from banks and financial institutions	**390,285**	**345,077**	**3,943**	**8,611**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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, 2022, the Group has commitments received from credit institutions in amount of EUR 50,000 thousand (December 31, 2021: EUR 50,000 thousand).

As of December 31, 2022, the Bank has commitments received from credit institutions in amount of EUR 50,000 thousand (December 31, 2021: EUR 50,000 thousand).

(ii) Debt securities issued

Group: The balance of debt securities issued as at December 31, 2022 (taking into account also the unsecured subordinated bonds), including accrued interest, is in amount of RON 3,887,808 thousand (December 31, 2021: RON 2,118,575 thousand).

Bank: The balance of debt securities issued as at December 31, 2022 (taking into account also the unsecured subordinated bonds), including accrued interest, is in amount of RON 3,887,808 thousand (December 31, 2021: RON 2,118,575 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.

On 14 May 2021 the Bank issued its inaugural Senior Preferred (SP) RON-denominated green bond in nominal amount of RON 400,575 thousand bearing a fixed rate coupon with the final maturity on 14 May 2026. The notes have an early redemption feature at the option of the Issuer, subject to prior regulatory approval, with the call redemption date on 14 May 2025. The instruments were issued under the Bank's EMTN programme which was established at the end of April 2021. The notes are expected to be eligible for MREL (Minimum Requirement for Own Funds and Eligible Liabilities). The bonds were listed on the Luxembourg Stock Exchange on 18 May 2021, under ISIN code XS2339508587 and were included in the LGX – Green Exchange platform, dedicated solely to the Green and Sustainable bonds. The notes were passported on 27th of May 2021 on the Regulated Spot Market of the Bucharest Stock Exchange under the same ISIN (Symbol RBRO26).

On 11 June 2021, under the EMTN programme, the Bank issued its first Senior Non-Preferred (SNP) RON-denominated green bond, in nominal amount of RON 1,207,500 thousand bearing a fixed rate coupon, with the maturity date on 11 June 2028 and an early redemption feature at the option of the Issuer on 11 June 2027, subject to prior regulatory approval. The notes are expected to be eligible for MREL (Minimum Requirement for Own Funds and Eligible Liabilities). The bonds were listed on the Luxembourg Stock Exchange – LGX platform on 15 June 2021 under ISIN: XS2349343256 and on 2 July 2021 were passported on the Regulated Spot Market of the Bucharest Stock Exchange, under the same ISIN (Symbol RBRO28).

Under the EMTN programme, which was successfully updated in April 2022, the Bank issued on 15th of June 2022 the second RON-denominated green bond in Senior Non-Preferred (SNP) format, in nominal amount of RON 525,000 thousand, with a fixed rate coupon, having the final maturity date on 15th of June 2027 and the early redemption feature at the option of the Issuer on 15th of June 2026. Similar to the 2021 green issuances, the notes are expected to be eligible for MREL (Minimum Requirement for Own Funds and Eligible Liabilities) and were listed on the Luxembourg Stock Exchange – LGX platform on 15 June 2022 under ISIN: XS2489289053 and on 24 June 2022 were passported on the Regulated Spot Market of the Bucharest Stock Exchange, under the same ISIN (Symbol RBRO27).

In the second part of the year, the Bank issued three RON-denominated bonds in sustainable format bearing fixed interest payable annually, with a total nominal amount of RON 1,195,425 thousand, out of which two in senior non-preferred format (SNP) in the amount of RON 869,925 thousand. The bonds have a final maturity of 5 years from the date of issue, with the possibility of early redemption 1 year prior to maturity at the option of the issuer and were listed on the Luxembourg Stock Exchange and on the regulated market of the Bucharest Stock Exchange, with the following ISINs: XS2511879160, XS2539944012, XS2556373046. The three bonds were issued in order to meet the minimum own funds and eligible debt requirement (MREL).

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

(iii) Subordinated liabilities

The balance of subordinated liabilities as at December 31, 2022, in RON equivalents, including accrued interest is RON 323,726 thousand (December 31, 2021: RON 323,334 thousand).

All subordinated loans are granted by Raiffeisen Bank International A.G. In addition, the subordinated bond subscribed by private investors (31 December 2022: RON 481,375 thousand) has been included in the above section (ii).

The below tables show the split of total long term debt by contractual maturities as of December 31, 2022:

Group

In RON thousand

	Less than 1 year	Over 1 year	Total
Senior loans from banks and financial institutions	33,334	356,951	390,285
Of which unsecured	7,537	102,438	109,975
Debt securities issued	79,308	3,808,500	3,887,808
Subordinated liabilities	2,145	321,581	323,726
Total	**114,787**	**4,487,032**	**4,601,819**

Bank

In RON thousand

	Less than 1 year	Over 1 year	Total
Senior loans from banks and financial institutions	2,197	1,746	3,943
Of which unsecured	–	–	–
Debt securities issued	79,308	3,808,500	3,887,808
Subordinated liabilities	2,097	321,581	323,678
Total	**83,602**	**4,131,827**	**4,215,429**

The below tables show the split of total long term debt by contractual maturities as of December 31, 2021:

Group

In RON thousand

	Less than 1 year	Over 1 year	Total
Senior loans from banks and financial institutions	22,555	322,522	345,077
Of which unsecured	18,169	31,476	49,645
Debt securities issued	30,500	2,088,075	2,118,575
Subordinated liabilities	1,707	321,627	323,334
Total	**54,762**	**2,732,224**	**2,786,986**

Bank

In RON thousand

	Less than 1 year	Over 1 year	Total
Senior loans from banks and financial institutions	4,385	4,226	8,611
Of which unsecured	–	–	–
Debt securities issued	30,500	2,088,075	2,118,575
Subordinated liabilities	1,707	321,627	323,334
Total	**36,592**	**2,413,928**	**2,450,520**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

35. OTHER LIABILITIES

	GROUP		BANK	
In RON thousand	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Lease liability	259,291	286,460	258,964	286,103
Amounts due to state budget for social security	49,783	34,012	49,225	32,661
Short-term employee benefits	106,383	39,838	106,253	39,838
Accrual for suppliers	194,303	147,076	194,302	146,866
Cash in transit (i)	343,116	187,959	343,116	187,959
Deferred income	61,108	41,444	45,955	41,444
Other liabilities (ii)	408,885	387,436	368,546	384,014
Total	**1,422,869**	**1,124,225**	**1,366,361**	**1,118,885**

(i) The increase in short-term employee benefits is mainly due to reclassification of the provisions for overdue vacations in amount of RON 25,494 thousands from provision caption into other liabilities caption.
(ii) Cash in transit includes payments which should be settled with other banks of RON 186,524 thousand (2021: RON 166,601 thousand) and receipts which should be settled with current accounts, RON 156,592 thousand (2021: RON 21,358 thousand).
(iii) Other liabilities include credit cards of RON 137,715 thousand (2021: RON 201,397 thousand), liabilities due to customers of RON 183,617 thousand (2021: 107,539 thousand RON) and deposits representing the share capital at companies in course of set-up of RON 10,045 thousand (2021: RON 17,585 thousand).

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

36. PROVISIONS

	GROUP		BANK	
In RON thousand	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Provisions for litigations and potential risks (i)	108,974	301,667	108,972	188,339
Provision for un-drawn commitments (ii)	87,235	77,008	86,667	76,525
Provision for employee benefits (iii)	397	322	–	–
Defined benefit plan	32,685	29,507	32,685	29,507
Provisions for overdue vacations*	–	21,011	–	20,999
Provisions for severance payments and similar obligations	737	1,126	737	1,126
Sundry provisions	3,374	2,941	1,015	1,013
Total	**233,402**	**433,582**	**230,076**	**317,509**

*) Provisions for overdue vacations were reclassified into other liabilities caption.

(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, 2022, the provisions related to individual consumer loan litigations amounted to 3,875 RON thousand (2021: RON 10,635 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).

b. Order no 837 dated October 20, 2017 received from the National Authority for Consumer Protection
The Romanian consumer protection authority ("ANPC") has issued an order for the Bank stop its alleged practice of "not informing its customers about future changes in the interest rate charged to the customers". The Bank disputed the order in court, but finally lost. The Bank has started the implementation by paying back certain amounts and related legal interest to affected consumers. Based on the latest calculations, as of December 31, 2022, the remaining amounts to be paid will not exceed RON 61.6 million.

c. Order no. 234 of September 3, 2021, received from the National Authority for Consumer Protection
On July 2014 ANPC issued Order number 280 which contains a decision requesting the Bank to stop the incorrect practice of including the administration fee in the Bank's margin, at the implementation of the restructuring acts. The Bank was furthered sanctioned for not implementing the ANPC Order 280/2014.

Subsequently, ANPC issued Order no. 234/2021, which ordered the application of the additional sanction of suspending the activity of the banking institution, Raiffeisen Bank SA, with regard to the unfair commercial practice consisting in the unilateral decision of the Bank to increase the margins of the interest component at the time of loan restructuring, by introducing the management fee, which the Bank expressly waived by the additional acts signed with the clients, and to refund the amounts incorrectly collected by the consumers.

Against the order, the Bank filed an action for annulment, which is suspended until the resolution of the appeal against the minutes issued by National Authority for Consumer Protection, an action which was won by the Bank, and the ANPC filed an appeal (there is no deadline set for the appeal)

Also, the Bucharest Court of Appeal ordered the suspension of the execution of Order no.234/2021 until the resolution of the action to cancel the order, a decision that was not appealed by ANPC.

d. The litigation between Aedificium Banca pentru Locuințe S.A. and the Romanian Court of Auditors
The Romanian Court of Auditors claimed that several deficiencies were identified and that conditions for payment by ABL of the state premiums on savings have not been met. ABL initiated a court dispute against the findings of the Romanian Court of Auditors, and in November 2020 lost the trial. During 2022 ABL used a legal provision allowing entities to pay debts towards the state (principal) and be exonerated from payment of accessories. ABL has calculated the prejudice and paid the principal (RON 115million) and filed for fiscal amnesty of accessories (RON 151 million).

The ministry has denied the request for amnesty and the ABL has disputed the denial in court. Lately, in December 2022, the Ministry of Development, Public Works and Administration has issued a title and asked ABL to pay also the penalties within 30 days. ABL disputed the payment request both at the ministry level and in court and also filed a motion in court, to ask for a suspension of the payment request, given that considers that amnesty should have been granted. The suspension has been granted by the court.

(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.

(ii) 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 2022 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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Movement in defined benefits obligations

In RON thousand	31 December 2022	31 December 2021
Opening defined benefit obligation	29,507	–
Total service cost	4,404	25,427
Benefits paid	–	–
Interest cost on benefit obligation	738	738
Other changes	–	3,342
Actuarial (gains)/losses arising from changes in demographic assumptions	–	–
Actuarial (gains)/losses arising from changes in financial assumptions	(1,964)	–
Closing defined benefit obligation	**32,685**	**29,507**

Main actuarial assumptions:

In RON thousand	31 December 2022	31 December 2021
Discount rate	5% – 9.1%	2.5% – 4.3%
Average long term inflation rate	7.75%	3.56%
Average remaining working period (years)	26	24

Sensitivities on the defined benefit obligation
The results of any valuation depend upon the assumptions employed. Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase.

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate used were 0.5% higher, then the defined benefit obligation would be lower by about 3.42% meaning RON 1,118 thousand.
- If the discount rate used were 0.5% lower, then the defined benefit obligation would be higher by about 3.63% meaning RON 1,186 thousand.
- If the salary increase rate used were 0.5% higher, then the defined benefit obligation would be higher by about 3.68% meaning RON 1,202 thousand.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position. The eventual cost of providing the benefits depends on the current future experience. Other factors such as the number of new employees could also change the cost.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

During 2022 the provisions can be further analyzed as follows:

Group

In RON thousand

	Opening balance	Allocation	Release	Usage	Other movements	FX difference	Closing balance
Provisions for litigations and potential risks (i)	301,667	1,832	(8,075)	(188,460)	-	2,010	108,974
Provision for un-drawn commitments	77,008	10,439	-	-	-	(212)	87,235
Provisions for employee benefits	322	75	-	-	-	-	397
Defined benefit plan	29,507	3,178	-	-	-	-	32,685
Provisions for overdue vacations*	21,011	-	-	-	(21,011)	-	-
Provisions for severance payments and similar obligations	1,126	-	(389)	-	-	-	737
Sundry provisions	2,941	433	-	-	-	-	3,374
TOTAL	**433,582**	**15,957**	**(8,464)**	**(188,460)**	**(21,011)**	**1,798**	**233,402**

*) Provisions for overdue vacations were reclassified into other liabilities caption.

During 2021 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)	201,711	106,453	(4,148)	(2,349)	301,667
Provision for un-drawn commitments	102,803	201	(26,570)	574	77,008
Provisions for employee benefits	3,622	41	(3,341)	-	322
Defined benefit plan	-	29,507	-	-	29,507
Provisions for overdue vacations	12,520	8,491	-	-	21,011
Provisions for severance payments and similar obligations	32,310	1,126	(32,310)	-	1,126
Sundry provisions	1,863	1,078	-	-	2,941
TOTAL	**354,829**	**146,897**	**(66,369)**	**(1,775)**	**433,582**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

During 2022 the provisions can be further analyzed as follows:

Bank

In RON thousand

	Opening balance	Allocation	Release	Usage	Other movements	FX difference	Closing balance
Provisions for litigations and potential risks	188,339	269	(8,075)	(73,571)	-	2,010	108,972
Provision for un-drawn commitments	76,525	10,354	-	-	-	(212)	86,667
Defined benefit plan	29,507	4,404	-	-	(1,226)	-	32,685
Provisions for overdue vacations*	20,999	-	-	-	(20,999)	-	-
Provisions for severance payments and similar obligations	1,126	-	(389)	-	-	-	737
Sundry provisions	1,013	2	-	-	-	-	1,015
TOTAL	**317,509**	**15,029**	**(8,464)**	**(73,571)**	**(22,225)**	**1,798**	**230,076**

*) Provisions for overdue vacations were reclassified into other liabilities caption.

During 2021 the provisions can be further analyzed as follows:

Bank

In RON thousand

	Opening balance	Allocation	Release	FX difference	Closing balance
Provisions for litigations and potential risks	144,703	86,760	(40,775)	(2,349)	188,339
Provision for un-drawn commitments	102,521	–	(26,570)	574	76,525
Provisions for employee benefits	3,341	–	(3,341)	–	–
Defined benefit plan		29,507	–	–	29,507
Provisions for overdue vacations	12,470	8,529	–	–	20,999
Provisions for severance payments and similar obligations	32,310	1,126	(32,310)	–	1,126
Sundry provisions	1,007	–	6	–	1,013
TOTAL	**296,352**	**125,922**	**(102,990)**	**(1,775)**	**317,509**

37. SHARE CAPITAL

As of December 31, 2022 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 2022, Raiffeisen Bank S.A paid dividends from 2021 profit to its shareholders in amount of RON 396,000 thousand which represents a dividend of RON 33,000 /share (2021: RON dividends from 2020 profit to its shareholders in amount of RON 48,000 thousand which represents a dividend of RON 4,000 /share and RON 741,960 thousand from Retained earnings which represents a dividend of RON 61,830/ share).

The shareholders of the Group are as follows:

In RON thousand	31 December 2022 %	31 December 2021 %
Raiffeisen SEE Region Holding GmbH	99.925	99.925
Other shareholders	0.075	0.075
Total	**100**	**100**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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 125 million (December 31, 2021 EUR 50 million) and have been purchased by Raiffeisen Bank International A.G. (please refer to *Note 40 Related party transactions*).

During 2022, Raiffeisen Bank S.A paid cupon in amount of 18,742 thousand RON (2021: RON 18,808).

39. OTHER RESERVES

	GROUP		BANK	
In RON thousand	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Statutory reserve	242,128	242,128	240,000	240,000
Fair value loss taken to equity (net of tax), investment securities FVOCI	(219,331)	(104,211)	(217,639)	(101,943)
Actuarial gains or (-) losses on defined benefit pension plans	1964	–	1,964	–
Total	**24,761**	**137,917**	**24,325**	**138,057**

The table below presents the fair value reserve for financial assets FVOCI:

	GROUP		BANK	
In RON thousand	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
At 1 January	**(104,211)**	**54,318**	**(101,943)**	**55,585**
Change in fair value reserve (for financial assets FVOCI)	(115,120)	(158,529)	(115,696)	(157,528)
At 31 December	**(219,331)**	**(104,211)**	**(217,639)**	**(101,943)**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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.

The transactions and balances with related parties are presented in tables below:

Group

In RON thousand 2022

	Ultimate controlling entity	Associates	Key Personnel	Other interest	Total
Trading assets	36,908	–	–	–	36,908
Derivative assets held for risk management	13,781	–	–	–	13,781
Loans and advances to banks at amortized cost	18,692	–	–	180	18,872
Investment in subsidiaries, associates and joint ventures	–	32,891	–	–	32,891
Equity instruments at fair value through other comprehensive income	–	–	–	71,488	71,488
Derivatives – Hedge accounting	8,355	–	–	–	8,355
Loans and advances to customers at amortized cost	–	20,117	5,609	237,821	263,547
Property, equipment and right-of-use assets	–	–	–	87,285	87,285
Other assets	2,544	269	7	14,367	17,187
Outstanding assets	**80,280**	**53,277**	**5,616**	**411,141**	**550,314**
Derivative liabilities held for risk management	2,888	–	–	–	2,888
Fair value changes of the hedged items – liability	11,398	–	–	–	11,398
Trading liabilities	14,074	–	–	–	14,074
Deposits from banks	87,447	–	–	3,896	91,343
Deposits from customers	–	94,962	23,365	131,555	249,882
Subordinated liabilities	323,678	–	–	–	323,678
Other equity instruments	609,440	–	–	–	609,440
Other liabilities	13,611	6	28	97,418	111,063
Outstanding liabilities	**1,062,536**	**94,968**	**23,393**	**232,869**	**1,413,766**
Commitments given	–	4,787	–	135,998	140,785
Guarantees issued	85,984	–	–	43,670	129,654
Commitments received	247,370	–	–	–	247,370
Guarantees received	89,458	–	–	53,147	142,605
Notional amount of derivative instruments	2,322,811	–	–	–	2,322,811

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Group

In RON thousand **2021**

	Ultimate controlling entity	Associates	Key Personnel	Other interest	Total
Trading assets	11,529	-	-	-	11,529
Derivative assets held for risk management	8,264	-	-	-	8,264
Loans and advances to banks at amortized cost	624,424	-	-	771,397	1,395,821
Investment in subsidiaries, associates and joint ventures	-	32,243	-	-	32,243
Equity instruments at fair value through other comprehensive income	-	-	-	49,766	49,766
Loans and advances to customers at amortized cost	-	20,115	3,129	152,920	176,164
Other assets	1,874	178	6	12,509	14,567
Outstanding assets	**646,091**	**52,536**	**3,135**	**986,592**	**1,688,354**
Derivative liabilities held for risk management	3,268	-	-	-	3,268
Derivatives – hedge accounting	8,298	-	-	-	8,298
Fair value changes of the hedged items – liability	3,466	-	-	-	3,466
Trading liabilities	6,175	-	-	-	6,175
Deposits from banks	1,531	-	-	2,900	4,431
Deposits from customers	-	4,539	15,386	101,567	121,492
Subordinated liabilities	323,334	-	-	-	323,334
Other equity instruments	238,575	-	-	-	238,575
Other liabilities	31,449	4,598	-	123,605	159,652
Outstanding liabilities	**616,096**	**9,137**	**15,386**	**228,072**	**868,691**
Commitments given	-	4,787	-	134,563	139,350
Guarantees issued	78,512	-	-	34,997	113,509
Commitments received	247,405	-	-	-	247,405
Guarantees received	86,013	-	-	44,623	130,636
Notional amount of derivative instruments	2,797,167	-	-	-	2,797,167

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Bank

In RON thousand

2022	Ultimate controlling entity	Subsidiaries	Associates	Key Personnel	Other interest	Total
Trading assets	36,908	-	-	-	-	36,908
Derivative assets held for risk management	13,781	-	-	-	-	13,781
Loans and advances to banks at amortized cost	18,692	11,905	-	-	180	30,777
Investment in subsidiaries, associates and joint ventures	-	91,884	14,987	-	-	106,871
Equity instruments at fair value through other comprehensive income	-	-	-	-	71,488	71,488
Derivatives – Hedge accounting	8,355	-	-	-	-	8,355
Loans and advances to customers at amortized cost	-	648,786	20,117	3,155	237,821	909,879
Property and equipment (RoU)	-	-	-	-	87,285	87,285
Other assets	2,544	5,456	269	7	14,367	22,643
Outstanding assets	**80,280**	**758,031**	**35,373**	**3,162**	**411,141**	**1,287,987**
Derivative liabilities held for risk management	2,888	-	-	-	-	2,888
Fair value changes of the hedged items – liability	11,398	-	-	-	-	11,398
Trading liabilities	14,074	-	-	-	-	14,074
Deposits from banks	87,447	195	-	-	3,896	91,538
Deposits from customers	-	64,285	94,962	12,753	131,555	303,555
Subordinated liabilities	323,678	-	-	-	-	323,678
Other equity instruments	609,440	-	-	-	-	609,440
Other liabilities	13,611	1,136	6	28	97,418	112,199
Outstanding liabilities	**1,062,536**	**65,616**	**94,968**	**12,781**	**232,869**	**1,468,770**
Commitments given	-	161,001	4,787	-	135,998	301,786
Guarantees issued	85,984	-	-	-	43,670	129,654
Commitments received	247,370	-	-	-	-	247,370
Guarantees received	89,458	-	-	-	53,147	142,605
Notional amount of derivative ins truments	2,322,811	-	-	-	-	2,322,811

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Bank

In RON thousand

2021

	Ultimate controlling entity	Subsidiaries	Associates	Key Personnel	Other interest	Total
Trading assets	11,529	–	–	–	–	11,529
Derivative assets held for risk management	8,264	–	–	–	–	8,264
Loans and advances to banks at amortized cost	624,424	11,917	–	–	771,397	1,407,738
Investment in subsidiaries, associates and joint ventures	–	111,533	14,987	–	–	126,520
Equity instruments at fair value through other comprehensive income	–	–	–	–	49,766	49,766
Loans and advances to customers at amortized cost	–	597,934	20,115	3,129	152,920	774,098
Other assets	1,874	6,157	178	6	12,509	20,724
Outstanding assets	**646,091**	**727,541**	**35,280**	**3,135**	**986,592**	**2,398,639**
Derivative liabilities held for risk management	3,268	–	–	–	–	3,268
Derivatives – hedge accounting	8,298	–	–	–	–	8,298
Fair value changes of the hedged items – liability	3,466	–	–	–	–	3,466
Trading liabilities	6,175	–	–	–	–	6,175
Deposits from banks	1,531	–	–	–	2,900	4,431
Deposits from customers	–	45,810	4,539	15,386	101,567	167,302
Subordinated liabilities	323,334	–	–	–	–	323,334
Other equity instruments	238,575	–	–	–	–	238,575
Other liabilities	31,449	–	4,598	–	123,605	159,652
Outstanding liabilities	**616,096**	**45,810**	**9,137**	**15,386**	**228,072**	**914,501**
Commitments given	–	237,716	4,787	–	134,563	377,066
Guarantees issued	78,512	299	–	–	34,997	113,808
Commitments received	247,405	–	–	–	–	247,405
Guarantees received	86,013	–	–	–	44,623	130,636
Notional amount of derivative ins truments	2,797,167	–	–	–	–	2,797,167

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Group

In RON thousand — 2022

	Ultimate controlling entity	Associates	Key Personnel	Other interest	Total
Interest income	562	1,525	222	9,961	12,270
Interest expense	(16,152)	–	–	(2,963)	(19,115)
Fees and commissions income	5,883	7	5	2,493	8,388
Fees and commissions expenses	(1,951)	–	–	(31,987)	(33,938)
Net trading income	17,978	–	–	–	17,978
Operating expenses	(50,310)	(54,177)	(142)	(81,766)	(186,395)
Personnel expenses	–	–	(36,762)	–	(36,762)
Other operating income	851	(206)	–	2,156	2,801
Gains or (-) losses from hedge accounting, net	16,325	–	–	–	16,325

Group

In RON thousand — 2021

	Ultimate controlling entity	Associates	Key Personnel	Other interest	Total
Interest income	120	385	232	2,168	2,905
Interest expense	(14,441)	–	(29)	(2,155)	(16,625)
Fees and commissions income	2,252	31	5	1,217	3,505
Fees and commissions expenses	(1,238)	–	–	(26,223)	(27,461)
Net trading income	27,433	–	–	–	27,433
Operating expenses	(50,073)	(45,508)	(1)	(66,867)	(162,449)
Personnel expenses	–	–	(33,293)	–	(33,293)
Other operating income	82	–	–	1,192	1,274

Operating expenses include mostly IT costs, legal, advisory and consulting expenses and office space expenses such as rental, maintenance and others.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Bank

In RON thousand

2022	Ultimate controlling entity	Subsidiaries	Associates	Key Personnel	Other interest	Total
Interest income	562	9,742	1,525	218	9,961	22,008
Interest expense	(16,152)	(375)	–	–	(2,963)	(19,490)
Fees and commissions income	5,883	5,824	7	5	2,493	14,212
Fees and commissions expenses	(1,951)	–	–	–	(31,987)	(33,938)
Net trading income	17,978	–	–	–	–	17,978
Operating expenses	(50,310)	–	(54,177)	(142)	(81,766)	(186,395)
Personnel expenses	–	–	–	(36,762)	–	(36,762)
Dividend income	–	26,762	–	–	694	27,456
Other operating income	851	3,940	(206)	–	2,156	6,741
Gains or (-) losses from hedge accounting, net	16,325	–	–	–	–	16,325

Bank

In RON thousand

2021	Ultimate controlling entity	Subsidiaries	Associates	Key Personnel	Other interest	Total
Interest income	120	5,686	385	232	2,168	8,591
Interest expense	(14,441)	(76)	–	(29)	(2,155)	(16,701)
Fees and commissions income	2,252	7,486	31	5	1,217	10,991
Fees and commissions expenses	(1,238)	–	–	–	(26,223)	(27,461)
Net trading income	27,433	–	–	–	–	27,433
Operating expenses	(50,073)	(11)	(45,508)	(1)	(66,867)	(162,460)
Personnel expenses	–	–	–	(33,293)	–	(33,293)
Dividend income	–	21,753	–	–	484	22,237
Other operating income	82	2,246	–	–	1,192	3,520

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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.

	GROUP		BANK	
In RON thousand	**2022**	**2021**	**2022**	**2021**
Loans and advances to customers	5,609	3,129	3,155	3,129
Interest income and fees and commission income	227	237	223	237
Impairment for loans and advances to customer	73	101	73	101
Deposits	23,365	15,386	12,753	15,386
Interest expense	–	(29)	–	(29)

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	**2022**	**2021**	**2022**	**2021**
Short-term employee benefits	33,065	30,814	33,065	30,814
Other long term benefits	3,697	2,479	3,697	2,479
Total compensation	**36,762**	**33,293**	**36,762**	**33,293**

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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

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	
In RON thousand	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Loan commitments	16,137,505	13,395,836	16,217,127	13,555,866
Guarantees issued	3,916,107	2,801,008	3,916,107	2,801,030
Letters of credit	701,775	779,433	701,775	779,433
Total	**20,755,387**	**16,976,277**	**20,835,009**	**17,136,329**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

The tables below present for 31 December 2022 the split of credit related commitments on stages and credit quality:

Group. Non-retail financial guarantees given

In RON thousand — 31 December 2022

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	2,178	285	–	–	2,463
Strong	1,018,707	42,105	–	–	1,060,812
Good	2,645,605	109,062	–	–	2,754,667
Satisfactory	506,735	111,168	–	–	617,903
Substandard	–	16,358	–	–	16,358
Impaired	–	–	95,621	138	95,759
Unrated	48,403	3,152	–	–	51,555
Total	**4,221,628**	**282,130**	**95,621**	**138**	**4,599,517**

Group. Non-retail financial guarantees given

In RON thousand — 31 December 2021

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	141	–	–	–	141
Strong	1,188,175	285	–	–	1,188,460
Good	1,570,447	32,604	–	–	1,603,051
Satisfactory	516,446	68,591	–	–	585,037
Substandard	354	55,647	–	–	56,001
Impaired	–	–	79,632	22	79,654
Unrated	49,097	416	–	–	49,513
Total	**3,324,660**	**157,543**	**79,632**	**22**	**3,561,857**

Group. Non-retail loan guarantees given

In RON thousand — 31 December 2022

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	79,178	6,310	–	–	85,488
Strong	3,874,295	176,270	–	–	4,050,565
Good	5,968,819	240,494	–	–	6,209,313
Satisfactory	1,819,428	117,312	–	–	1,936,740
Substandard	–	6,304	–	–	6,304
Impaired	–	–	27,742	22	27,764
Unrated	13,974	474	–	–	14,448
Total	**11,755,694**	**547,164**	**27,742**	**22**	**12,330,622**

Group. Non-retail loan commitments given

In RON thousand — 31 December 2021

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Excellent	86,813	3,485	–	90,298
Strong	3,118,940	37,123	–	3,156,063
Good	4,548,864	130,341	–	4,679,205
Satisfactory	1,751,637	99,210	–	1,850,847
Substandard	377	22,447	–	22,824
Impaired	–	–	34,306	34,306
Unrated	129,241	160	–	129,401
Total	**9,635,872**	**292,766**	**34,306**	**9,962,944**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Bank. Non-retail financial guarantees given

In RON thousand

31 December 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	2,178	285	–	–	2,463
Strong	1,018,707	42,105	–	–	1,060,812
Good	2,645,605	109,062	–	–	2,754,667
Satisfactory	506,735	111,168	–	–	617,903
Substandard	–	16,358	–	–	16,358
Impaired	–	–	95,621	138	95,759
Unrated	48,403	3,152	–	–	51,555
Total	**4,221,628**	**282,130**	**95,621**	**138**	**4,599,517**

Bank. Non-retail financial guarantees given

In RON thousand

31 December 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	141	–	–	–	141
Strong	1,188,175	285	–	–	1,188,460
Good	1,570,447	32,604	–	–	1,603,051
Satisfactory	516,446	68,591	–	–	585,037
Substandard	354	55,647	–	–	56,001
Impaired	–	–	79,632	22	79,654
Unrated	49,097	416	–	–	49,513
Total	**3,324,660**	**157,543**	**79,632**	**22**	**3,561,857**

Bank. Non-retail loan guarantees given

In RON thousand

31 December 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	79,178	6,310	–	–	85,488
Strong	3,872,679	175,757	–	–	4,048,436
Good	6,101,915	239,684	–	–	6,341,599
Satisfactory	1,792,707	116,021	–	–	1,908,728
Substandard	–	6,304	–	–	6,304
Impaired	–	–	28,012	22	28,034
Unrated	14,074	30	–	–	14,104
Total	**11,860,553**	**544,106**	**28,012**	**22**	**12,432,693**

Bank. Non-retail loan commitments given

In RON thousand

31 December 2021

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Excellent	86,813	3,349	–	90,162
Strong	3,118,172	35,589	–	3,153,761
Good	4,538,481	127,868	–	4,666,349
Satisfactory	1,718,723	98,851	–	1,817,574
Substandard	377	22,447	–	22,824
Impaired	–	–	33,736	33,736
Unrated	129,098	62	–	129,160
Total	**9,591,664**	**288,166**	**33,736**	**9,913,566**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Group. Retail financial guarantees given

In RON thousand

31 December 2022

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Minimal Risk	–	10,349	–	10,349
Excellent Credit Standing	–	360	–	360
Very Good Credit Standing	–	133	–	133
Good Credit Standing	–	–	–	–
Sound Credit Standing	–	–	–	–
Acceptable Credit Standing	–	–	–	–
Marginal Credit Standing	–	–	–	–
Weak Credit Standing	–	–	–	–
Very Weak Credit Standing	–	–	–	–
Default	–	–	–	–
Not Rated	309	7,214	–	7,523
Total	**309**	**18,056**	**–**	**18,365**

Group. Retail financial guarantees given

In RON thousand

31 December 2021

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Minimal Risk	–	9,668	–	9,668
Excellent Credit Standing	–	–	–	–
Very Good Credit Standing	–	80	–	80
Good Credit Standing	–	–	–	–
Sound Credit Standing	–	–	–	–
Acceptable Credit Standing	–	–	–	–
Marginal Credit Standing	–	–	–	–
Weak Credit Standing	–	–	–	–
Very Weak Credit Standing	–	–	–	–
Default	–	–	–	–
Not Rated	149	8,709	–	8,858
Total	**149**	**18,457**	**–**	**18,606**

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.*

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Group. Retail loan commitments given

In RON thousand

31 December 2022

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Minimal Risk	1,211,756	231,506	–	–	1,443,262
Excellent Credit Standing	22,837	281,492	–	–	304,329
Very Good Credit Standing	664,401	437,319	–	–	1,101,720
Good Credit Standing	259,547	203,288	–	–	462,835
Sound Credit Standing	107,746	83,182	–	–	190,928
Acceptable Credit Standing	66,924	32,537	–	–	99,461
Marginal Credit Standing	28,683	12,769	–	–	41,452
Weak Credit Standing	4,844	7,974	–	–	12,818
Very Weak Credit Standing	1,088	4,453	–	–	5,541
Default	–	–	12,384	3,752	16,136
Not Rated	28,279	100,007	115	–	128,401
Total	**2,396,105**	**1,394,527**	**12,499**	**3,752**	**3,806,883**

Group. Retail loan commitments given

In RON thousand

31 December 2021

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Minimal Risk	1,185,333	218,096	–	–	1,403,429
Excellent Credit Standing	23,608	375,294	–	–	398,902
Very Good Credit Standing	675,002	433,414	–	–	1,108,416
Good Credit Standing	1,463	150,793	–	–	152,256
Sound Credit Standing	91,280	49,862	–	–	141,142
Acceptable Credit Standing	47,068	19,185	–	–	66,253
Marginal Credit Standing	15,224	7,346	–	–	22,570
Weak Credit Standing	4,296	5,388	–	–	9,684
Very Weak Credit Standing	663	2,963	–	–	3,626
Default	–	–	11,592	3,409	15,001
Not Rated	36,541	75,050	–	–	111,591
Total	**2,080,478**	**1,337,391**	**11,592**	**3,409**	**3,432,870**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Bank. Retail Financial guarantees given

In RON thousand

31 December 2022

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Minimal Risk	–	10,349	–	10,349
Excellent Credit Standing	–	360	–	360
Very Good Credit Standing	–	133	–	133
Good Credit Standing	–	–	–	–
Sound Credit Standing	–	–	–	–
Acceptable Credit Standing	–	–	–	–
Marginal Credit Standing	–	–	–	–
Weak Credit Standing	–	–	–	–
Very Weak Credit Standing	–	–	–	–
Default	–	–	–	–
Not Rated	309	7,214	–	7,523
Total	**309**	**18,056**	**–**	**18,365**

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.

Bank. Retail Financial guarantees given

In RON thousand

31 December 2021

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Minimal Risk	–	9,668	–	9,668
Excellent Credit Standing	–	–	–	–
Very Good Credit Standing	–	80	–	80
Good Credit Standing	–	–	–	–
Sound Credit Standing	–	–	–	–
Acceptable Credit Standing	–	–	–	–
Marginal Credit Standing	–	–	–	–
Weak Credit Standing	–	–	–	–
Very Weak Credit Standing	–	–	–	–
Default				
Not Rated	149	8,709	–	8,858
Total	**149**	**18,457**	**–**	**18,606**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Bank. Retail Loan commitments given

In RON thousand

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
					31 December 2022
Minimal Risk	1,211,756	231,506	–	–	1,443,262
Excellent Credit Standing	22,837	281,492	–	–	304,329
Very Good Credit Standing	664,401	437,319	–	–	1,101,720
Good Credit Standing	259,547	203,288	–	–	462,835
Sound Credit Standing	107,746	83,182	–	–	190,928
Acceptable Credit Standing	66,924	32,537	–	–	99,461
Marginal Credit Standing	28,683	12,769	–	–	41,452
Weak Credit Standing	4,844	7,974	–	–	12,818
Very Weak Credit Standing	1,088	4,453	–	–	5,541
Default	–	–	12,114	3,752	15,866
Not Rated	6,392	99,715	115	–	106,222
Total	**2,374,218**	**1,394,235**	**12,229**	**3,752**	**3,784,434**

Bank. Retail Loan commitments given

In RON thousand

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
					31 December 2021
Minimal Risk	1,185,333	218,096	–	–	1,403,429
Excellent Credit Standing	23,608	375,294	–	–	398,902
Very Good Credit Standing	675,002	433,414	–	–	1,108,416
Good Credit Standing	238,418	150,793	–	–	389,211
Sound Credit Standing	91,280	49,862	–	–	141,142
Acceptable Credit Standing	47,068	19,185	–	–	66,253
Marginal Credit Standing	15,224	7,346	–	–	22,570
Weak Credit Standing	4,296	5,388	–	–	9,684
Very Weak Credit Standing	663	2,963	–	–	3,626
Default	–	–	11,592	3,409	15,001
Not Rated	10,378	73,688	–	–	84,066
Total	**2,291,270**	**1,336,029**	**11,592**	**3,409**	**3,642,300**

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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

42. 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	**Before Profit Incorporation 2022**	**Before Profit Incorporation 2021**	**After Profit Incorporation 2021**	**Before Profit Incorporation 2022**	**Before Profit Incorporation 2021**	**After Profit Incorporation 2021**
Tier 1 Capital, of which:	5,635,489	4,913,862	5,010,792	5,482,299	4,790,077	4,857,714
Common Equity Tier 1 (CET 1) Capital	5,026,073	4,675,287	4,772,217	4,872,883	4,551,502	4,619,139
Additional Tier 1 Capital	609,416	238,575	238,575	609,416	238,575	238,575
Tier 2 Capital	863,163	872,897	872,897	853,797	862,665	862,665
Total capital	**6,498,652**	**5,786,759**	**5,883,689**	**6,336,096**	**5,652,742**	**5,720,379**
Risk weighted assets	**31,040,203**	**27,683,318**	**27,684,008**	**29,936,081**	**26,599,564**	**26,560,556**
Common Equity Tier 1 Capital ratio	16.19%	16.89%	17.24%	16.28%	17.11%	17.39%
Tier 1 Capital ratio	18.16%	17.75%	18.10%	18.31%	18.01%	18.29%
Total Capital ratio	20.94%	20.90%	21.25%	21.17%	21.25%	21.54%

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 2022, the Group has Additional Tier 1 Notes in amount of RON 609,440 thousand (RON 238,599 thousand as of December 31, 2021) 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*).

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*).

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

43. 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.

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.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Group

In RON thousand

2022	Corporate Customers	Private individuals	SME	Treasury Division	Others	Total unit
Total Assets before impairment allowance on loans and advances to customers at amortized cost	17,247,981	18,820,720	3,955,546	20,009,933	3,892,118	63,926,298
Impairment allowance on loans and advances to customers at amortized cost	(366,061)	(794,316)	(167,940)	(568)	(7,657)	(1,336,542)
Total Assets	**16,881,920**	**18,026,404**	**3,787,606**	**20,009,365**	**3,884,461**	**62,589,756**
Total Liabilities	**9,891,671**	**30,045,260**	**7,758,271**	**4,048,931**	**4,391,651**	**56,135,784**
Equity	**–**	**–**	**–**	**–**	**6,453,972**	**6,453,972**
Net interest income	505,524	1,076,225	342,502	227,858	248,244	2,400,353
Net commission income	106,251	253,224	173,063	27,423	(885)	559,076
Net trading income	64,216	140,825	80,586	43,140	430	329,197
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(1,167)	(30,770)	(4,350)	(482)	(1,566)	(38,335)
Gains or (-) losses from hedge accounting, net	–	–	–	1,919	–	1,919
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	–	(1,657)	(1657)
Other net operating income*	(26,595)	(25,427)	(5,042)	58,823	48,938	50,697
Total Operating income	**648,229**	**1,414,077**	**586,759**	**358,681**	**293,504**	**3,301,250**
Operating expenses	(115,399)	(465,660)	(197,298)	(24,115)	(93,451)	(895,923)
Personnel expenses	(101,242)	(443,039)	(182,366)	(24,928)	(20,282)	(771,857)
Net provisioning for impairment allowance on financial assets	(37,358)	(100,253)	9,211	(3,177)	(15,804)	(147,381)
Share of gain from associates and joint ventures	–	–	–	–	648	648
Profit before tax	**394,230**	**405,125**	**216,306**	**306,461**	**164,615**	**1,486,737**
Income taxes	–	–	–	–	(230,507)	(230,507)
Profit after tax	**394,230**	**405,125**	**216,306**	**306,461**	**(65,892)**	**1,256,230**

*) Other operating income for the segments mainly contain the re-distribution of the cost of capital from Treasury to the other segments, relative to the regulatory assets held by Treasury, like Stress buffer and Minimum reserve.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Group

In RON thousand

2021

	Corporate Customers	Private individuals	SME	Treasury Division	Others	Total unit
Total Assets before impairment allowance on loans and advances to customers at amortized cost	12,705,209	17,662,122	3,513,199	22,089,805	5,244,146	61,214,481
Impairment allowance on loans and advances to customers at amortized cost	(329,684)	(838,591)	(200,552)	(281)	(11,912)	(1,381,020)
Total Assets	**12,375,525**	**16,823,531**	**3,312,647**	**22,089,524**	**5,232,234**	**59,833,461**
Total Liabilities	**9,882,197**	**29,555,488**	**8,686,846**	**3,542,282**	**2,811,849**	**54,478,662**
Equity	**–**	**–**	**–**	**–**	**5,354,799**	**5,354,799**
Net interest income	339,575	1,016,443	276,702	23,728	137,922	1,794,370
Net commission income	107,479	265,818	177,712	25,058	(252)	575,815
Net trading income	53,978	173,769	64,819	66,295	645	359,506
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	41	(13,390)	(126)	(174)	297	(13,352)
Gains or (-) losses from hedge accounting, net	–	–	–	(1,911)	–	(1,911)
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	2,694	(1)	2,693
Other net operating income*	(29,427)	(51,179)	(4,063)	116,465	(3,588)	28,208
Total Operating income	**471,646**	**1,391,461**	**515,044**	**232,155**	**135,023**	**2,745,329**
Operating expenses	(97,076)	(548,655)	(166,459)	(19,704)	(117,813)	(949,707)
Personnel expenses	(80,856)	(385,138)	(141,344)	(20,947)	(14,577)	(642,862)
Net provisioning for impairment allowance on financial assets	(3,006)	(85,524)	(20,764)	(2,043)	3,200	(108,137)
Share of gain from associates and joint ventures	–	–	–	–	2,824	2,824
Profit before tax	**290,708**	**372,144**	**186,477**	**189,461**	**8,657**	**1,047,447**
Income taxes	–	–	–	–	(228,895)	(228,895)
Profit after tax	**290,708**	**372,144**	**186,477**	**189,461**	**(220,238)**	**818,552**

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Bank

In RON thousand

2022

	Corporate Customers	Private individuals	SME	Treasury Division	Others	Total unit
Total Assets before impairment allowance on loans and advances to customers at amortized cost	17,488,796	18,813,503	3,327,614	19,871,136	3,808,954	63,310,003
Impairment allowance on loans and advances to customers at amortized cost	(350,764)	(794,199)	(143,777)	(568)	(7,946)	(1,297,254)
Total Assets	**17,138,032**	**18,019,304**	**3,183,837**	**19,870,568**	**3,801,008**	**62,012,749**
Total Liabilities	**9,881,610**	**30,033,168**	**7,751,369**	**3,010,040**	**5,060,585**	**55,736,772**
Equity	**–**	**–**	**–**	**–**	**6,275,977**	**6,275,977**
Net interest income	494,068	1,073,970	322,620	222,263	242,773	2,355,694
Net commission income	103,339	224,809	164,357	27,588	(201)	519,892
Net trading income	64,216	140,825	80,586	43,990	428	330,045
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(1,167)	(30,770)	(4,350)	–	(1,566)	(37,853)
Gains or (-) losses from hedge accounting, net	–	–	–	1,919	–	1,919
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	–	–	–
Other net operating income *	(26,980)	(23,788)	(7,715)	58,823	78,003	78,343
Total Operating income	**633,476**	**1,385,046**	**555,498**	**354,583**	**319,437**	**3,248,040**
Operating expenses	(111,955)	(459,217)	(190,133)	(23,897)	(91,412)	(876,614)
Personnel expenses	(95,736)	(434,216)	(170,842)	(24,774)	(12,681)	(738,249)
Net provisioning for impairment allowance on financial assets	(38,108)	(100,320)	9,224	(3,177)	(42,539)	(174,920)
Profit before tax	**387,677**	**391,293**	**203,747**	**302,735**	**172,805**	**1,458,257**
Income taxes	–	–	–	–	(223,562)	(223,562)
Profit after tax	**387,677**	**391,293**	**203,747**	**302,735**	**(50,757)**	**1,234,695**

*) Other operating income for the segments mainly contain the re-distribution of the cost of capital from Treasury to the other segments, relative to the regulatory assets held by Treasury, like Stress buffer and Minimum reserve.

Notes to the consolidated and separate financial statements for the year ended 31 December 2022

Bank

In RON thousand

2021

	Corporate Customers	Private individuals	SME	Treasury Division	Others	Total unit
Total Assets before impairment allowance on loans and advances to customers at amortized cost	12,246,926	17,617,977	2,904,133	21,814,332	5,913,821	60,497,189
Impairment allowance on loans and advances to customers at amortized cost	(313,902)	(838,505)	(176,218)	(281)	(10,858)	(1,339,764)
Total Assets	**11,933,024**	**16,779,472**	**2,727,915**	**21,814,051**	**5,902,963**	**59,157,425**
Total Liabilities	**9,874,427**	**29,468,023**	**8,677,300**	**2,602,894**	**3,335,866**	**53,958,510**
Equity	**–**	**–**	**–**	**–**	**5,198,915**	**5,198,915**
Net interest income	330,174	1,013,547	257,730	14,713	138,397	1,754,561
Net commission income	104,531	227,223	168,434	25,219	371	525,778
Net trading income	53,978	173,769	64,819	67,173	646	360,385
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	41	(13,390)	(126)	–	297	(13,178)
Gains or (-) losses from hedge accounting, net	–	–	–	(1,911)	–	(1,911)
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	2,693	–	2,693
Other net operating income *	(29,792)	(29,839)	(7,258)	116,465	(1,072)	48,504
Total Operating income	**458,932**	**1,371,310**	**483,599**	**224,352**	**138,639**	**2,676,832**
Operating expenses	(94,490)	(541,178)	(158,989)	(19,529)	(56,522)	(870,708)
Personnel expenses	(76,805)	(376,701)	(130,634)	(20,824)	(8,825)	(613,789)
Net provisioning for impairment allowance on financial assets	(1,587)	(85,662)	(25,806)	(2,043)	(68,465)	(183,563)
Profit before tax	**286,050**	**367,769**	**168,170**	**181,956**	**4,827**	**1,008,772**
Income taxes	–	–	–	–	(220,312)	(220,312)
Profit after tax	**286,050**	**367,769**	**168,170**	**181,956**	**(215,485)**	**788,460**

Contact

ESG is about being aware of the impact that companies' activity has – the fact that achieving business performance does not justify the lack of care for the environment or that ignoring the social impact of certain practices affects everyone – and taking concrete measures to change in the coming years the way we understand how to build businesses.

In 2022, Raiffeisen Bank, as well as other companies in the Group, increasingly integrated the principles of sustainability in their activity.

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