

# **REPORT ON TRANSPARENT AND PUBLICATION REQUIREMENTS OF INFORMATION**

31 December 2019

According to the provisions:

- ✓ *Regulation of the National Bank of Romania No. 5/2013 on prudential requirements for credit institutions*
- ✓ *Regulation No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment companies and amending Regulation (EU) No 648/2012 (called CRR)*
- ✓ *Guide to publication requirements pursuant to Part Eight of Regulation (EU) No 575/2013 – EBA/GL/2016/11 of 04.08.2017*
- ✓ *Guide on the publication of the Liquidity Coverage Indicator (CRL) in addition to information on liquidity risk management pursuant to Article 435 of Regulation (EU) No 575/2013 – EBA/GL/2017/01 of 21.06.2017*
- ✓ *Guide on sound remuneration policies pursuant to Articles 74 paragraph (3) and 75 paragraph (2) of Directive 2013/36/EU and information published in accordance with Article 450 of Regulation (EU) No 575/2013 – EBA/GL/2015/22 of 27.06.2016*
- ✓ *Guide to the threshold of significance, property and confidentiality and on the frequency of reporting under Articles 432 paragraph (1), 432 paragraph (2) and 433 of Regulation (EU) No 575/2013 – EBA/GL/2014/14 of 23.12.2014; BNR Instructions of 28.10.2015 on the threshold of significance, property and confidentiality and on the frequency of publication, specified in Articles 432 paragraph(1), 432 paragraph (2) and 433 of Regulation (EU) No 575/2013*
- ✓ *Guide on the publication of information on burdened and unburdened assets as well as Delegated Regulation (EU) No 2295/2017 on regulatory technical standards for the publication of burdened and unburdened assets – EBA/GL/2014/03 of 27.06.2014*

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## Introduction

This report has been prepared to meet the transparency and publication requirements laid down, mainly by the *Regulation of the National Bank of Romania No. 5/2013 on prudential requirements for credit institutions*, with subsequent amendments and additions, as well as *Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment companies and amending Regulation (EU) No 648/2012*.

This report is prepared at the individual level and consolidated in accordance with international Financial Reporting Standards. The information submitted is on 31 December 2019 unless otherwise specified.

The frequency of publication of information is in accordance with the provisions of the EBA Guide on publication requirements pursuant to Part Eight of Regulation (EU) No 1493/1999. 575/2013.

Information published on the basis of publication requirements pursuant to Part Eight of Regulation (EU) No 1493/1999 shall be published in the Official Regulation of. 575/2013 are available on the Bank's website ([www.raiffeisen.ro](http://www.raiffeisen.ro)), in the Report on Transparency and Information Disclosure Requirements, in the Annual Corporate Responsibility Report, in the Annual Report and in The Financial Statements.

## 1. Article 435 CRR Organizational structure of Raiffeisen Bank S.A. and the management body

Raiffeisen Bank S.A. (Bank) is a private legal person, organized in the form of a joint stock company, with shareholders legal and natural persons, resident and non-resident.

In the dual management system adopted by the General Assembly of Raiffeisen Bank S.A. shareholders on 30.04.2007, the administration and representation of the Bank are ensured by the Supervisory Board and the Directorate.

**The Supervisory Board** represents the governing body in the supervisory position and exercises permanent control over the management of the Bank, as it is carried out by the Directorate.

The directorate is the body that runs the bank's current activity.

Their competences and duties are regulated in the Constituent Act of Raiffeisen Bank S.A., published on the bank's website at: <https://www.raiffeisen.ro/despre-noi/guvernanta-corporativa/>

Also on the bank's website, there is relevant information on the competences and functioning of the bank's management structures at: <https://www.raiffeisen.ro/despre-noi/guvernanta-corporativa/structuri-de-administrare/>

As of 31<sup>st</sup> December 2019, the structure of the Bank's Supervisory Board was as follows:

- Johann Strobl, president
- Martin Gruell, vicepresident
- Peter Lennkh, member
- Andreas Gschwenter, Member

- Hannes Mösenbacher, member
- Lukasz Janusz Januszewski, member
- Andrii Stepanenko, member
- Ileana Anca Ioan, independent member
- Ana-Maria Mihaescu, independent member

Considering:

- the provisions of *Regulation 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment companies*
- provisions of *Law No. 29/2015 (...) for modification and completion of OUG 99/2006 on credit institutions and capital adequacy*

mandates held by members of the Supervisory Board in different companies are detailed below:

- Johann Strobl: 1 executive mandate and 4 non-executive mandates, counted as 1 term in executive office according to Law No. 29/2015;
- Martin Gruell: 6 executive mandates and 6 non-executive mandates, counted as 1 term in executive office according to Law No. 29/2015;
- Peter Lennkh: 1 executive mandate and 8 non-executive mandates, counted as 1 term in executive office and 1 term in non-executive office according to Law No. 29/2015;
- Andreas Gschwenter: 1 executive mandate and 8 non-executive mandates, counted as 1 term in executive office according to Law No. 29/2015.
- Hannes Mösenbacher: 2 executive mandates and 5 non-executive mandates, counted as 1 mandate in executive office according to Law No. 29/2015.
- Lukasz Janusz Januszewski: 1 executive mandate and 6 non-executive mandates, counted as 1 term in executive office according to Law No. 29/2015.
- Andrii Stepanenko: 1 executive mandate and 8 non-executive mandates, counted as 1 term in executive office according to Law No. 29/2015.
- Ileana Anca Ioan: 1 non-executive mandate, counted as 1 term in non-executive office according to Law No. 29/2015;
- Ana-Maria Mihaescu: 3 non-executive mandates, counted as 3 non-executive mandates according to Law No. 29/2015;

As of December 31, 2019, the structure of the Bank's **Directorate** was as follows:

- Steven van Groningen – president
- James Daniel Stewart, Jr. – Vice President
- Vladimir Kalinov – Vice-President
- Cristian Sporis – Vice President
- Mircea Busuioceanu – Vice-President
- Bogdan Popa – Vice President
- Mihail-Catalin Ion – Vice President.

Considering:

- the provisions of *Regulation 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment companies*
- provisions of *Law No. 29/2015 (...) for modification and completion of OUG 99/2006 on credit institutions and capital adequacy*

mandates held by the members of the Directorate in different companies are detailed below:

- Steven van Groningen: 1 executive mandate and 1 non-executive mandate, counted as 1 term in executive office and 1 term in non-executive office under Law No. 29/2015;
- James Daniel Stewart, Jr.: 1 executive term counted as 1 executive office under Act No. 29/2015;

- Vladimir Kalinov: 1 executive mandate and 3 non-executive mandates, counted as 1 term in executive office and 1 term in non-executive office according to Law No. 29/2015;
- Cristian Sporis: 1 executive mandate counted as 1 term in executive office according to Law No. 29/2015;
- Mircea Busuioceanu: 1 executive mandate and 1 non-executive mandate, counted as 1 mandate in executive office according to Law No. 29/2015;
- Bogdan Popa: 1 executive mandate counted as 1 mandate in executive office according to Law No. 29/2015.
- Mihail-Catalin Ion: 1 executive mandate counted as 1 mandate in executive office according to Law No. 29/2015.

The organizational structure of the Bank at the end of 2019 is presented in Appendix 1 to this Report.

The Raiffeisen Bank territorial network is organized according to the two major customer segments, namely Retail and Corporate.

The retail segment (which includes individuals, authorized individuals, small and medium enterprises) is served by the Raiffeisen Bank network which included 351 branches, as of 31.12.2019. These branches are grouped into 25 Hubs which in turn, are grouped into 8 Regions, coordinated by the Network Director who reports directly to the Retail Division Vice President.

Retail Region as of - 31.12.2019	No of retail Hubs	No of branches
Bucuresti 1	3	37
Bucuresti 2	3	37
Centru	3	45
Centru Est	4	53
Nord Vest	3	38
Sud	3	51
Sud Est	3	54
Vest	3	36
Grand Total	25	351

At the network level, the activity related to the corporate segment is carried out in 8 Corporate Regional Centers which are under the direct coordination of the Regional Corporations and Public Sector Directorate.

The 8 Regional Corporate Centres (CRC) are the following:

- CRC Bucharest 1, with geographical coverage in Buzau and Prahova counties and sectors 1 and 2 of Bucharest municipality;
- CRC Bucharest 2, with geographical coverage in Giurgiu, Ilfov and Teleorman counties and sectors 3, 4, 5 and 6 of Bucharest municipality;
- CRC Brasov, with geographical coverage in Brasov, Covasna, Harghita, Mures and Sibiu counties;
- CRC Cluj, with geographical coverage in Alba, Bistrita-Nasaud, Cluj, Maramures, Satu Mare and Salaj counties;
- CRC Constanta, with geographical coverage in Constanta, Braila, Calarasi, Galati, Ialomita and Tulcea counties;
- CRC Arges, with geographical coverage in Arges, Dambovita, Dolj, Gorj, Mehedinti, Olt and Valcea counties;

- CRC Iasi, with geographical coverage in Bacau, Botosani, Iasi, Neamt, Suceava, Vaslui and Vrancea counties;
- CRC Timis, with geographical coverage in the counties of Arad, Bihor, Caras-Severin, Hunedoara and Timis.

In addition, we mention that clients in the category of large corporations are served by the Directorate of Large Corporations, while public sector clients are served by the Regional Corporations Directorate and Public Sector through a dedicated collective.

In addition to the units in Romania, the bank also has a Representative in the Republic of Moldova that does not carry out banking activity.

## 2. Article 435 CRR Risk Management objectives and policies

The activity of a bank of the size and complexity of Raiffeisen Bank S.A implies assuming risks. Consequently, an active risk management is a main objective in Raiffeisen Bank S.A and is an integral part of overall bank management.

In order to effectively identify, measure, and manage risks Raiffeisen Bank S.A has developed a comprehensive risk management system which is continuously improved. In particular, in addition to legal and regulatory requirements, it takes into account the nature, scale, and complexity of the business activities and the resulting risks.

Also, through the different structures of risk management it is ensured that all material risks are measured and limited and that the bank's activity as a whole is evaluated from a perspective which takes into account the relationship between generated return and risks taken.

The risk report describes the principles and organization of risk management and explains the current risk exposures in all material risk categories.

### A. Risk Policy Principles

The bank has a set of principles for risk management, as well as procedures for identifying, measuring and monitoring risks for the purpose of controlling and managing material risks. The risk management principles are set by the Directorate and include:

**Risk awareness:** The bank aims to maintain an environment promoting full understanding and awareness of the risks inherent to its activities. This is achieved by providing relevant information, through transparent processes and by applying adequate methods and instruments. In an unclear or not fully transparent situation, the prudence principle will prevail.

**Risk taking:** The bank promotes a prudential attitude towards taking risks and demands a predefined minimum return on risk. Risks are undertaken as laid out in existing risk strategies and policies. The risk premium for taking risks must be adequate and sufficient to reach a minimum risk adjusted return. Consequently, risks are only taken where (i) adequate methods for risk evaluation are in place and (ii) the estimated return exceeds expected losses plus a hurdle rate for capital employed to cover for unexpected losses.

**Risk management:** The methods of risk management, limitation and monitoring of different risks are adapted to their materiality. This means that the higher the risk, the more sophisticated methods will



be used by the bank. The methodologies of risk management, control and limiting are constantly improved, using quantitative or qualitative instruments.

**Legal requirements:** The bank incorporates the legal requirements in its activity and fully complies with all the prudential requirements regarding risk management.

**Integrated view on risks:** Based on the outcome of the regular risk assessment, we identified credit, market, operational, and liquidity risk as the major risks categories. The bank aims to integrate these risks into a single measurement represented by economic capital.

**Unitary treatment:** Risks are treated unitarily both in ex-ante calculations (when establishing risk limits and allocating economic capital) and ex-post (when determining limit utilization). This allows taking transparent and acceptable measures for business lines when risks do not fit in established limits.

**Independent Control:** The bank strictly and explicitly separates its business activities and all risk management and risk controlling activities. This functional and organizational isolation of risk originating and risk managing units is ensured at the Board level by including a Raiffeisen Bank S.A. Board member responsible for managing risks.

**Regular reviews:** All risk policies are revised at least annually, taking into consideration the budgeting process and activity planning, an increased frequency of reviews being possible in case of events requiring this.

**New products:** A new product launch that requires risk taking is preceded by an implied risk analysis. An important instrument to introduce a new product is Product Approval Process (PAP), which covers all relevant aspects regarding the product (organization, expected profitability, associated risks etc) and it is approved by all the bank management structures, as well as at the group level.

Cuantification of risks has the main role of allowing measurement of risk adjusted performance. Thus the bank ensures that assuming excessive risks is not encouraged and that its activity is developed by taking into consideration the risk-return ratio.

## ***B. Organization of risk management***

The risk management activity is a core activity of the bank and therefore all the bank's structures are implicated. The main structures together with their main attributions in risk management are presented below.

**The Management Board of Raiffeisen Bank S.A** ensures the proper organization and ongoing development of risk management. It develops and periodically revises the business plan and the strategies regarding the activity of the bank, including the approval of the risk profile and risk strategy. It is responsible for defining capital and risk targets and approves the allocation of economic capital and economic capital limits. Although the Management Board delegates attributions regarding risk management to different structures of the bank, it maintains the ultimate responsibility for these activities.



## Risk Committees

*The Committee for Significant Risks Management (CARS)* approves the general principles for risk management and ensures through policies, adequate standards and methods for managing risks and keeping risks within well set limits. By supervising the implementation of these policies, standards and methodologies, the Committee ensures risk prevention, or when these do occur, the limitation of their impact. It sets adequate limits for exposures at risk according to the size, complexity and financial standing of the bank.

*The Assets and Liabilities Committee (ALCO)* manages the statement of financial position structure and liquidity risk and defines the standards for internal funds transfer pricing. In this context it plays an important role for the long-term funding planning and the hedging of structural interest rate and foreign exchange risks. Meanwhile, it sets and monitors the liquidity and market risk limits and efficiently manages the capital of the bank in order to generate sufficient revenues in line with the risk parameters of the bank.

*The Credit Committee* manages credit risk, approves credit policies and credit decisions according to the approval competencies in place.

*The Executive Credit Committee* is empowered to approve credit granting, including credit lines and contingent/off balance sheet liabilities to a single debtor (or to one or several debtors in an "economic unit") and to take decisions regarding country risk, which requires approval of the Supervisory Board, according to the Credit Committee Bylaws approved by the Supervisory Board.

*The Risk Committee of the Supervisory Board* provides consultancy to the Supervisory Board and the Management Board regarding the risk strategy and risk appetite of the bank and assists the Supervisory Board and the Management Board in the supervision of the implementation of the respective strategy. The committee also revises the prices of assets and liabilities in accordance with the business model and risk strategy of the bank and presents to the Supervisory Board and the Management Board a remedy plan, if necessary. It assesses whether the remuneration policy takes into consideration risk, capital, liquidity and the probability of synchronization of revenues in time. The Risk Committee of the Supervisory Board met twice during the year 2019.

## Quality assurance and internal audit

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources in order ensure compliance with all legal requirements and achieving the highest standards in risk management related operations.

Two important functions in assuring independent oversight are performed by the divisions Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Audit periodically assesses all business processes and contributes considerably to securing and improving them.

The Compliance Directorate is responsible for all issues concerning compliance with legal requirements in addition to and as integral part of the internal control system.

Moreover, an independent and objective audit, free of potential conflicts, is carried out during the audit of the annual financial statements by the auditing companies.

### C. *Overall bank risk management*

Maintaining an adequate level of capital in line with assumed risks is the core objective of the risk management activity in Raiffeisen Bank S.A. Activity growth, reaching targets regarding the bank's rating and fulfilling other requirements from the bank's shareholders, all need sufficient capital resources.

Capital requirements are monitored regularly based on the actual risk level as measured by internal models (in choosing appropriate models the materiality of risks is taken into account).

The concept of risk management ensures the maintenance of capital requirements from a regulatory and economic point of view, thus fulfilling the legal quantitative requirements of the Internal Capital Adequacy Assessment Process (ICAAP).

- **The economic perspective** (or the target rating), has as objective the protection of the interests of the creditors, ie of the financing providers and of the depositors. Losses that exceed the bank's internal capital lead to its liquidation, which means that regulated capital requirements are no longer important in this situation (the bank no longer operates). As this perspective focuses on the bank's ability to meet its obligations to creditors, it follows that the level at which the bank must protect itself against liquidation must correspond to the bank's current or desired credit rating (target rating).

- **The normative perspective**, which has as objective the fulfillment on a continuous basis of all the legal requirements regarding the capital level, all the requirements of the regulator, as well as of the internal objectives regarding the capital.

#### **Economic perspective**

The following concepts are relevant to the Economic perspective:

- **Economic capital**: an estimate of the level of capital needed to ensure the bank's solvency with a predetermined confidence interval that is derived from the credit rating of the bank's debts.

- **Internal capital**: the capital that is available to compensate for (unexpected) losses resulting from the different types of risks that the bank assumes, capital whose consumption does not jeopardize the fulfillment of the bank's obligations to its creditors.

- **Economic capital buffer**: it is defined as 5% of the economic capital calculated for the quantified risks and has the role of covering the risks that are not quantified.

It is considered that the bank has an adequate capital to cover the risks when the economic capital is at most equal to the internal capital, at total level, both under normal conditions and within the integrated stress test scenarios.

#### **Normative perspective**

The normative perspective is a multi-annual assessment of the institution's ability to meet all capital-related regulatory and supervisory requirements and to cope with other external financial constraints in the medium term. This includes assessing a credible baseline scenario and appropriate institution-specific adverse scenarios, reflected in the multi-annual capital planning and in line with the institution's overall planning objectives.

The normative perspective is ensured by the following processes:

- budgeting capital ratios over a horizon of up to 3 years;

- capital plan;
- periodic monitoring and reporting (in ALCO) in connection with the realized and budgeted capital ratios;
- establishing internal buffers over the regulated minimum capital requirements;
- testing the fulfillment of the minimum capital ratios in crisis conditions;
- monitoring the indicators taken into account when establishing the TSCR (total SREP capital requirement) by the regulator.

In both of the above perspectives, the bank calculates the following indicators that are part of the risk appetite framework:

Concept	Definition	Definition in practice		Choice criteria
		Economic perspective	Normative perspective	
Risk taking capacity	The total level of risk that the bank can absorb before it no longer meets the regulatory requirements.	Internal Capital is 100% used by economic capital	Own funds are 100% used by regulatory capital requirements	Which ever is chosen at risk appetite
Risk tolerance	The level of risk that the bank is willing to tolerate before implementing countermeasures. It is defined as a percentage less than 100% of the Risk Taking Capacity	90% use of Internal Capital by Economic Capital.	Own funds minus the rwa buffer, set internally.	Which ever is chosen at risk appetite
Risk appetite	The level of planned and budgeted risk that is aligned with the bank's business objectives.	Budgeted economic capital	Budgeted own fund requirement	maximum of the 2
Risk profile	The total risk assumed at a certain reporting date.	Actual economic capital	Actual own fund requirement	Which ever is chosen at risk appetite

### Stress testing

The bank prepares stress testing at least annually, in order to identify vulnerabilities in its risk exposures and to establish measures, if necessary.

Stress tests are of 2 types: individual for each risk (credit, liquidity, market risk, operational risk) as well as integrated (incorporating effects of all risks).

The scenarios used are also specific to the type of stress testing, respectively for individual stress testing are used expert scenarios applicable to the respective type of risk while for integrated stress testing macroeconomic scenarios are used.

Stress testing test the levels of important indicators such as solvency, profit, non-performing loan rate, liquidity. They are presented to management together with proposals for measures to reduce risk exposure or increase the bank's ability to absorb risks, if necessary.

## D. Risk categories

### D.1. Credit risk

Credit risk, including concentration risk (as a sub-type of credit risk) stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. It is by far the most important risk category, as also indicated by internal and regulatory capital requirements. Thus, credit risk is analyzed and monitored both on an individual customer/group of connected customers basis as well as on a portfolio basis.

Credit risk management is based on the respective credit risk policies, credit risk manuals, and the corresponding tools and processes which have been developed for this purpose. These establish the objectives, restrictions and recommendations regarding the lending activity. Restrictive criteria and recommendations refer to:

The *geographic concentration* criterion – percentage maximum exposures are established for every geographic area;

The *diversification on economic sectors* criterion – percentage maximum exposures are established for every activity sector;

The *eligibility* criteria – general eligibility criteria are established, for high risk industries, for start-up companies etc;

The *rating* criterion (for Corporate and SMB customers) – maximum risk adjusted limits are established on rating classes;

The *maturity* criterion – maximum exposure percentages are established for different maturities;

The *foreign currency* criterion – maximum exposure limits for every currency are established;

The *collateral criterion* – maximum percentages for unsecured facilities are established;

The risk-returns ratio – minimum levels for this ratio are established for new transactions.

The internal control system for credit risk includes different types of monitoring measures, which are tightly integrated into the workflows to be monitored – from the customer's initial credit application, to the bank's credit approval, and finally to the repayment of the loan.

### **Limit application process**

No lending transaction is performed without running through the limit application process beforehand. This process is consistently applied – besides new lending – to increases in existing limits, roll-overs, and if changes in the risk profile of a borrower occur (e.g., with respect to the financial situation of the borrower, the terms and conditions, or collateral) compared to the time the original lending decision was made.

Credit decisions are made within the context of a hierarchical competence authority scheme depending on the type and size of a loan.

It always requires the approval of the business and the credit risk management divisions for individual limit decisions or when performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction will have to be decided upon by the next higher-ranking credit authority.

The limit application process in the retail division is stronger automated due to the high number of applications and lower exposure amounts. Management risk functions are supported by the IT infrastructure, as well as by the network of databases. The applications used ensure credit requests are processed in real time and that customer information is stored. Activities related to verification of adherence to minimum scoring, validation of the indebtedness ratio and verifications of available information in credit bureau databases are performed automatically by dedicated applications.

### **Credit portfolio management**

Credit portfolio management of the bank is, amongst others, based on the credit portfolio strategy. This strategy limits the exposure amount in different industries or product types and thus prevents undesired risk concentrations.

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings are performed separately for different asset classes using internal risk classification models (rating and scoring models). Default probabilities assigned to individual rating grades are estimated for each asset class separately.

Rating models in the main non-retail asset classes are developed at group level (group Raiffeisen Bank International - RBI) and rank creditworthiness in 27 grades for corporate customers and 10 grades for financial institutions and sovereigns. For retail asset classes, country specific scorecards are developed based on uniform Group standards.

The credit portfolio and individual borrowers are subject to constant monitoring. The main purpose of monitoring is to ensure that the borrower meets the terms and conditions of the contract, as well as following the obligor's economic development. Such reviews are conducted at least once annually in the non-retail asset classes. This includes a rating review and the re-evaluation of collateral.

Within the risk management activities, Early Warning Signs are monitored monthly for corporate and SMB customers. The activity of monitoring early warning signs and classifying customers on risk categories is independent from the underwriting activity and from the credit administration activity. The purpose of this activity is to early identify customers with a high potential of reimbursement difficulties and take timely measures for their recovery.

## **D.2. Market risk**

Market risk management is explained in detail in the Market Risk Exposure and Interest Rate Risk Exposures chapters for activities outside the trading portfolio.

## **D.3. Liquidity risk**

The central objective of Raiffeisen Bank's liquidity risk management strategy is to define a robust, tailored and up-to-date framework to the conditions of the business environment, which supports the bank business strategy. The management framework comprises policies, processes and systems for identifying, measuring, monitoring and controlling liquidity risk and is defined with the aim of ensuring a balance between cash inflows and outflows associated with balance sheet and off-balance sheet items and a sufficient liquidity reserve to enable the bank to cope with stress situations over an acceptable time frame, without significantly altering its strategy or business model.

In order to properly manage the liquidity risk, a series of reports are used at the bank level that capture cash inflows and outflows related to balance sheet and extra-balance sheet items, over several time horizons, under normal conditions and under stress conditions. The instruments also capture the bank's liquidity risk in the medium and long term from the perspective of the balance sheet structure but also the efficiency which short-term liquid assets are managed with.

The reports used by Raiffeisen Bank to manage liquidity risk are as follows: the liquidity gap (at Raiffeisen Bank level and at consolidated level for Raiffeisen Bank and Raiffeisen Leasing); the statutory liquidity report; LCR and NSFR liquidity indicators; testing of the liquidity position in crisis conditions (stress test); liquidity structure indicators (liquidity scorecard, excess liquidity); real-time measurement of the liquidity position.

For effective control of liquidity risk, at the level of the indicators calculated in the main liquidity reports a number of limits are set and the values of the indicators and their inclusion within limits are reported periodically to the ALCO.

The liquidity risk control function is provided by a dedicated department within the Directorate of Risk Control and Portfolio Management, in accordance with the Bank's Rules of Organization and Functioning. The aim of the liquidity risk management process refers to short-term, long-term liquidity risk and financing risk at individual and consolidated level. Monitoring of liquidity risk management instruments to which the bank is exposed is carried out with daily or monthly frequency, and reporting of exposures to this risk is done to the Assets and Liabilities Committee with monthly frequency.

#### **D.4. Operational risk**

Within Raiffeisen Bank, the management of the operational risk activity is assured through the following action lines:

- Regulate the area of activity
- Identify, measure, monitor and mitigation of operational risk
- Calculate the capital requirement for operational risk
- Relationship with the Subsidiaries

Beginning with 2003, the operational risk management activity was formalized in Raiffeisen Bank SA and the guideline of the activity was achieved starting with 2004 by elaborating the operational risk policy and procedures, documents that were subject of periodic review.

The policy and the procedure for applying the operational risk policy represent the foundation of the operational risk management within Raiffeisen Bank, together with the specific risk and operating procedures development for the current activity, issued by other directorates/ departments. Together, these documents ensure a solid and comprehensive operational risk management.

Within the bank, all employees must understand their role in the risk management process. Thus, a risk awareness culture and environment are constantly built to support the identification and escalation of operational risk issues.

Within the bank, the model of the three lines of defense regarding the operational risk management was adopted. Thus, the first line of defense is the responsibility of the business areas that ensure the management of operational risks in their activities. The second line of defense, which aims the control of the risk, is the responsibility of the operational risk function along with Fraud prevention, Security, Compliance and Internal control functions. The internal audit represents the third line of defense that verifies the implementation and effectiveness of the operational risk management process at the organization's level.

In Raiffeisen Bank, the responsibility for the activities related to operational risk management is attributed to the Operational Risk Department within Group Risk Controlling and Portfolio Management Directorate, independent from the business areas in supervising, monitoring and reporting operational risk events.

The department is part of the risk control function for operational risk across all activity lines of the bank.

This structure coordinates the operational risk management and represents the operational risk control unit at bank's level and also for the group entities that are active on the local market: Raiffeisen Leasing and Raiffeisen Asset Management.

In order to ensure an adequate operational risk management, the activity is structured on the following levels: risk identification, risk measurement, monitoring and control / risk reduction.

The identification of the operational risk goal is detecting the potential risks on specific products and / or banking activities, in order to estimate the potential impact if a risk event occurrences among the process and, consequently, on the product itself.

Risk measurement is a particularly important step in operational risk management. The principle that applies in this case is "We cannot control what we cannot measure."

At this stage, the existence of internal control measures and the efficiency of their operation are verified in order to identify the possible events, before they become major risks and materialize in operational losses.

The monitoring activity of the operational risks aims to follow the correctness of the activities in accordance with the regulations in force specific to each product and the related processes.

Risk reduction/ control represent all measures taken aiming at reducing the operational risk to an accepted level. This stage completes the operational risk management process and consists in implementing the action plan decided following the risk assessment and scenario analysis sessions, the measures taken in case of risk indicators that have exceeded the acceptable level of risk but also those decided following the recording of significant operational risk events.

Risk reduction actions are initiated by business area managers. They decide on the opportunities to reduce and control the risk, accept or transfer it.

Also, the business areas are responsible for defining the contingency plans as well as the nomination of some persons to execute these plans in the imposed situations.

These areas benefit from the support of other dedicated functions in the activity of reducing the exposure to operational risk. An important role is played by the fraud risk management function by initiating specific actions to monitor and reduce exposure to fraud risk as well as functions that ensure IT security and business continuity process management and internal control.

The Operational Risk Department periodically monitors the implementation of all mitigation and control actions.

The instruments used in the operational risk management activity at bank's level are:

- Annual operational risk assessment at bank's level
- Collection and reporting of operational risk incidents
- Scenario analysis
- Operational risk indicators (KRI's)
- Operational risk awareness programs
- Review of internal procedures and products

Regarding the reporting systems, Operational Risk department prepares and presents various reports:

- Periodic reporting to the Risk Committee (CARS). The standard agenda includes the bank's operational risk profile, namely the results of periodic operational risk assessments, scenario analysis, significant operational risk losses, the evolution of operational risk indicators including the action plan and the implementation stage for controlling and mitigation of the significant operational risks. The information of the management board within CARS is made at least quarterly in order to validate the decisions to reduce the exposure to operational events and to the changes in the strategy regarding the management of significant risks.
- Reports to management regarding significant risk incidents with potential losses above a defined threshold.
- Reports to the group regarding the results obtained following the operational risk assessment sessions at bank's level, scenarios analysis, significant operational risk incidents.



#### **D.5. Strategic Risk**

Strategic risk shows the bank's exposure to losses stemming from pursuing a strategy that eventually turned out to be faulty or inadequate. This situation may appear when the strategy cannot be implemented due to lack of resources, capabilities, or to changes in the business environment. A strategy can also be risky in itself, threatening the business continuity of an organization, if and when the risks materialize.

Strategic risk was evaluated as immaterial in Raiffeisen Bank S.A. This risk is not quantifiable, the bank using qualitative methods for its evaluation and reduction.

For reducing this risk, Raiffeisen Bank SA follows the following principles:

- Strategy is the responsibility of the Management Board, which defines the bank's strategy and the risks it implies;
- The strategy requires previous approval of the Supervisory Board; for this purpose, the strategy and its implementation are periodically discussed with the Supervisory Board.

#### **D.6. Reputational Risk**

Managing reputational risk is based on the following principles: adherence to the vision, mission and values of Raiffeisen Bank S.A., informing all employees on relevant aspects regarding the reduction/management of reputational risk, compliance with the code of conduct and the rules of ethics, preventing and combating fraud and corruption. Thus Raiffeisen Bank S.A. built its policy for reputational risk management having in view various stakeholders, both commercial and social.

We hereby specify that the document regarding the mission, vision and values of Raiffeisen Bank S.A. refers to quality and respect for customers, promoting solid ethic principles, employee motivation and consolidation of shareholders' investment.

#### **D.7. Risk of excessive leverage**

To monitor this risk, the bank will compute and evaluate the leverage ratio both in the budgeting phase and in the integrated stress test, in order to ensure adequate planning of capital and exposures so that the minimum level of 3% is not jeopardized.

### **3. Article 435 CRR Statement on the adequacy of the management framework of Raiffeisen bank S.A. and on liquidity risk**

The management body of Raiffeisen Bank S.A. hereby confirms that the risk management systems in Raiffeisen Bank S.A. are adequate in view of the profile and the strategy of the bank.

Implementation of the risk profile at bank level is realized by establishing a strategy for each significant risk and implementation of corresponding policies. The bank has adopted policies for managing significant risks, ensuring the implementation of the adequate risk profile.

The main objective of the risk management activity in Raiffeisen Bank S.A. is to maintain an adequate level of internal capital in relation to the risks taken, both from a regulatory (sustainability perspective) and economic (target rating perspective) point of view.

It is considered that the bank has an adequate level of capital for covering risks when economic capital is less than or equal to the internal capital, for all risks.

Thus, as at the 31<sup>st</sup> of December 2019, the internal capital of Raiffeisen Bank S.A. amounted to 5,468 RON mil.

The economic capital calculated for quantifiable risks was of 2,585 RON mil, out of which 66% for credit risk, 17% for market risk, 7% for operational risk, 5% economic capital buffer and 4% for other risks (owned property risk, participation risk and „*Datio in Solutum*”).

As the internal capital of 5,468 RON mil is higher than the economic capital in total amount of 2,585 RON mil, at 31<sup>st</sup> of December 2019 **Raiffeisen Bank S.A. had an adequate level of internal capital for covering risks.**

As at 31<sup>st</sup> of December 2019, the internal capital of the Group Raiffeisen Bank amounted to 5,600 RON mil.

As the internal capital of 5,600 RON mil is higher than the economic capital in total amount of 2,663 RON mil, at 31<sup>st</sup> of December 2019 **the Group Raiffeisen Bank had an adequate level of internal capital for covering risks.**

Regarding liquidity risk the central objective of RBRO liquidity risk management strategy is to define a robust framework, adequate and updated to business conditions in order to sustain Bank's business strategy.

*Liquidity risk tolerance* is set up in line with Banks' strategy and position within banking system and reflects the level of risk that the banks is willing to assume in going concern and stress conditions:

*In going concern* at Bank level a long term risk profile is defined through a set of limits for the value of main liquidity indicators. The purpose of the limits is to avoid the accumulation of a significant liquidity risk from the current activity of the bank. In order to meet this objective the limits are considered in the annual budgeting process and the indicators are on going monitored during the year in order to avoid and correct possible limit excesses.

*In stress conditions*, liquidity risk tolerance is represented by Bank's capacity to function for a one month time horizon without any fundamental change of the business strategy. This tolerance level is met by holding a liquidity buffer which can be used to compensate restricted access to funding sources and possible outflows in stress conditions.

In RBRO the adequacy of liquidity level is realized both from internal risk management perspective and from regulatory perspective.

From internal perspective the liquidity risk management framework is represented by a set of policies, processes and systems for the identification, measurement, monitoring and control of liquidity risk and it is defined with the purpose to ensure an equilibrium between the inflows and outflows related to on balance and off balance positions and an adequate level of liquidity buffer which allows the bank to face stress conditions during a reasonable time horizon without being necessary to significantly change the business strategy or business model.

From regulatory perspective the purpose of the liquidity risk management framework is to meet all reporting requirements requested by National Bank of Romania (Liquidity indicator) and Basel III framework (LCR, NSFR, ALMM).

As in previous years also in 2019 the Bank had an ample liquidity position which was also reflected in the value of internal and regulatory liquidity indicators. From internal perspective in 2019 the Bank had positive values of liquidity indicators both for the going concern and stress conditions.

Comfortable values were also recorded for regulatory indicators (average value of LCR in 2019 was of 179% at individual level and 184% at consolidated level significantly over the regulatory limit of 100%).

In conclusion, in 2019 the Bank had an adequate liquidity position. Also the Bank has an adequate framework for the management and control of liquidity risk with regard to the Bank's risk profile and strategy.

This declaration was approved by the management body of Raiffeisen Bank S.A.

#### **4. Article 435 CRR Recruitment Policy regarding the selection of RBRO management bodies members**

The aim of this policy is to select the RBRO management bodies members, in accordance with the RBRO Policy Fit & Proper and RBI Group Policy Succession Management, in such a way to ensure the management, the control, the qualified supervision and consultancy, in accordance with the legal requirements.

The candidates are selected in such a position of the RBRO management bodies based on their integrity, motivation, independency, character and competencies.

The RBRO management bodies members are fulfilling their tasks as members in the management bodies and protect the company reputation.

The succession planning for the management bodies and especially for the Board is an essential tool for RBRO in order to ensure the performance and the efficiency continuously, through an uninterrupted leadership.

An adequate succession planning is also important for RBRO especially regarding the special expertise of the management bodies members, as part of the collective knowledge and their suitability. We are aligned with the RBI Group Policy regarding suitability.

Through the Succession Management Policy is pursued the identification, as a basis for the selection, of the qualified members, having the experience, with an equilibrated balance of knowledge and skills, ensuring the succession management of the management bodies in accordance with the legal requirements regarding the composition, the appointment and the succession. The selection process is based on the description of the necessary roles and capabilities.

The proposals for successors will take into account: the objective/ the purpose of the job, the critical criterion for measurement, the key relationships, the main competencies and skills, the studies/ functional knowledge/ know-how/ necessary qualifications, the work experience/ relevant roles, the personal attributes.

#### **5. Article 435 CRR Diversity policy**

RBRO recognizes diversity as an important resource. The policy applies to all employees in the bank, including the management structure - the Board of Directors and the Supervisory Board. Diversity, as a key to success, allows us to push our limits. For RBRO, diversity means added value.

We are always looking for the smartest people to join the team. This allows us to develop the best possible understanding of the varied needs of our clients and to offer personalized and high quality financial services.

With an inclusive corporate culture that promotes skills and is family friendly, we aim to position ourselves as an attractive employer. Employees are respected and appreciated regardless of characteristics such as gender, sexual orientation, age, origin, ideology or disabilities.

By adopting diversity, we operate in accordance with our values as a fair and responsible banking partner. Promoting and adopting diversity is part of Raiffeisen's social responsibility. We live these beliefs in accordance with the values of our founder Friedrich Wilhelm Raiffeisen.

RBRO has always respected the gender principle, in terms of equal rights between women and men, that is not a barrier to participation in the workforce and in our management. For several years, the non-managerial workforce has a division of 70-75% women compared to 30-25% men, and for managerial positions the division is 65-70% women compared to 35-30% men. At the level of the management structure, the Directorate and the Supervisory Board, the gender diversity is represented by the share of 12.5% women and 87.5% men.

Other aspects of diversity that are taken into account are age, gender and geographical origin. The aim is to employ a wide range of qualities and competencies when recruiting members of the management structure, to obtain a variety of opinions and experience and to facilitate independent opinions and solid decisions within the management structure.

The age structure of the leadership structure consists of members belonging to different age decades. Within the Directorate, we have 2 people over 60 years old, the rest belonging to the age range of 40 - 50 years.

Regarding the geographical origin, we aim for the diversity of our markets to be reflected in the component of the management structure in order to ensure the various cultural environments. Within the Directorate, out of 7 members, the distribution is balanced: 4 are Romanian citizens and 3 are foreign citizens.

## **6. Article 436 CRR Scope of application**

Pursuant to Article 11 of the CRR, RBI is supervised by the ECB on a consolidated basis and is subject to the CRR provisions not only as an individual credit institution but also as a group.

The consolidated group is defined as all companies integrated in the consolidated financial statements. Due to different regulations the following two consolidated groups are distinguished:

Consolidated group for legal/accounting purposes – IFRS 10

Consolidated group for prudential/regulatory purposes – Article 18 CRR and Article 19 CRR

### **Consolidated group for accounting purposes**

## **(i) Subsidiaries**

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

The Bank holds:

- 99.99% (2018: 99.99%) interest in Raiffeisen Leasing IFN S.A.;
- 99.99% (2018: 99.99%) interest in ICS Raiffeisen Leasing S.R.L. from the Republic of Moldova, a company held 100% by Raiffeisen Leasing IFN S.A.;
- 99.99% (2018: 33.33%) interest in Aedificium Bank Pentru Locuinte S.A.
- 99.99% (2018: 99.99%) investment in Raiffeisen Asset Management S.A., an asset management company with the purpose of administrating fund.

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

During 2018, Raiffeisen Services S.R.L., a fully owned subsidiary of the Bank, providing financial services (except for services rendered on the capital markets), has ceased its activity and has been liquidated.

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

## **(ii) Joint venture**

The Group holds 99.99% (2018: 33.32%) in Aedificium Bank pentru Locuinte S.A. As mentioned above, the Bank acquired 66.66% of the shares from Aedificium and thus the consolidation method changed during 2019 from joint venture to subsidiary.

Until the acquisition date, the Group has consolidated the financial statements of its joint venture using the equity method, in accordance to IAS 28 "Investments in Associates and Joint Ventures".

## **(iii) Associates**

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

The Bank holds an investment of 33.33% (2018: 33.33%) in Fondul de Garantare a Creditului Rural – IFN S.A.

As of January 1<sup>st</sup>, 2018, the Group classifies, in its individual statements, its interests in subsidiaries, associates and joint ventures, as financial assets measured at cost, in accordance with IAS 27 "Separate Financial Statements". The remaining investments are classified as financial assets measured at fair value through other comprehensive income in accordance with IFRS 9.

**Consolidated group for the purpose of prudential regulations:**

The basis for the prudential regulatory consolidation is 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 Unlike consolidation for accounting purposes, only companies specialized in banking and other financial activities must be considered. This means that affiliated companies that do not carry out banking activities should not be included in the consolidation area for accounting purposes. According with Article 19 CRR, a financial institution or ancillary services provider shall not be included in the consolidated group if the total value of the assets and off-balance sheet items of the entity in question is less than the lowest of the following two values: EUR 10 million and 1% of the total value of the assets and off-balance sheet items of the parent entity or of the entity holding the respective participation.

Furthermore, the competent authorities may allow the exclusion of the following participations on a case-by-case basis:

- If the company is located in a third country where there are legal impediments to the transfer of necessary information;
- If the company has only a minor interest in the objectives of supervision of credit institutions;
- If the consolidation of the financial statement of the company would be inadequate or could be misleading in terms of achieving the supervisory objectives of the credit institutions.

There are no exclusions in consolidated Group for the purpose of prudential regulations.

The table below presents information on the consolidation method applied for each entity according to the accounting and prudential consolidation perimeters.

**Table 1**

Name of the entity	Accounting consolidation method	Prudential consolidation method					Description of the entity
		Consolidated by the method of global consolidation	Consolidated by the proportional consolidation method	Neither consolidated nor deducted	Putting in equivalence	Deducted	
Raiffeisen Leasing IFN S.A.	Consolidated by the method of global consolidation	X					Leasing company
Raiffeisen Leasing SRL, Republica Moldova	Consolidated by the method of global consolidation	X					Leasing company
Raiffeisen Assets Management S.A.	Consolidated by the method of global consolidation	X					Financial institution
Aedificium Bank Pentru Locuinte S.A.	Consolidated by the method of global consolidation	X					Credit institution
FONDUL DE GARANTARE A CREDITULUI RURAL S.A.	Putting in equivalence				X		Another institution

#### Participation deducted from own funds items

According to art. 36 (1) of the CRR, the direct, indirect and synthetic participation of Common Equity Tier 1 of a credit institution, must be deducted from Common Equity Tier 1. The value deducted depends on the threshold calculated according to articles 46 and 48 of CRR. Due to the fact that the Group does not exceed this threshold, no participation is deducted from the total capital.

#### Constraints on funds transfer

Currently, there are no significant practical or legal impediments within the Group, current or potential, which prevents the prompt transfer of own funds or the repayment of debts between the parent company and its subsidiaries.

#### The aggregate value with which the effective own funds are lower than the minimum required for all the subsidiaries not included in the consolidation

All subsidiaries are included in the consolidation perimeter.



The table below shows the differences between the perimeters of accounting and prudential consolidation and the correspondence between the categories of elements from the financial statement and some regulatory risk categories.

**Table 2**

GROUP Article 436 - LI1 In RON thousand	Carrying values of items						
	Carrying values as reported in published financial statements	Accounting values according to the prudential consolidation perimeter	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and cash with Central Bank	6,506,880	6,506,880	6,506,880	0	0	0	0
Loans and advances to banks at amortised cost	207,307	207,307	207,307	0	0	0	0
Derivative assets held for risk management	8,843	8,843	0	8,843	0	0	0
Trading assets	402,931	402,931	402,931	0	0	0	0
Financial assets mandatorily at fair value through profit or loss	363,525	363,525	363,525	0	0	0	0
Investment securities at fair value through other comprehensive income	2,398,161	2,398,161	2,398,161	0	0	0	0
Equity instruments at fair value through other comprehensive income	61,902	61,902	61,902	0	0	0	0
Investment in subsidiaries, associates and joint ventures	17,780	17,781	17,780	0	0	0	0
Loans and advances to customers at amortised cost	27,593,634	27,587,461	27,576,671	0	10,790	0	0
Fair value changes of the hedged items-hedge accounting	3,204	3,204	3,204	0	0	0	0
Investment securities at amortised cost	4,952,776	4,952,776	4,952,776	0	0	0	0

GROUP Article 436 - LI1 In RON thousand	Carrying values of items						
	Carrying values as reported in published financial statements	Accounting values according to the prudential consolidation perimeter	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Current tax receivable	365	365	365	0	0	0	0
Other assets	495,663	499,983	4,99,983	0	0	0	0
Deferred tax assets	21,175	21,175	21,175	0	0	0	0
Property, equipment and right-of-use assets	588,737	588,737	588,737	0	0	0	0
Intangible assets	233,512	233,512	1,628	0	0	0	231,884
Total assets	43,856,395	43,854,376	43,602,859	8,843	10,790	0	231,884
<b>Liabilities</b>							
Trading liabilities	15,091	15,091	0	0	0	0	0
Derivative liabilities held for risk management	25,304	25,304	0	0	0	0	0
Deposits from banks	308,670	308,670	0	0	0	0	0
Deposits from customers	36,108,826	36,049,920	0	0	0	0	0
Loans from banks and other financial institutions	512,962	512,962	0	0	0	0	0
Derivatives – hedge accounting	3,497	3,497	0	0	0	0	0
Current tax liabilities	7,413	7,413	0	0	0	0	0
Other liabilities	914,888	969,035	0	0	0	0	0
Debt securities issued	480,617	480,617	0	0	0	0	0
Subordinated liabilities	408,645	408,645	0	0	0	0	0
Provisions	239,677	241,484	0	0	0	0	0
Total liabilities	39,025,690	39,022,638	0	0	0	0	0

The main sources of differences between the regulated exposure values and the accounting values in then financial statements

**Tabel 3.**

Group Article 436 – LI2 In RON thousand	Total	Subject to the framework			
		Credit risk framework	CCR framework	Subject to the securitization framework	Subject to the market risk framework
Assets' book values under the scope of prudential consolidation	43,854,376	43,602,859	8,843	10,790	0
Lliabilities' book values under the scope of prudential consolidation	39,022,638	0	0	0	0
Net amount under the scope of prudential consolidation	4,831,738	0	0	0	0
Off-balance items	12,754,639	12,754,639	0	0	0
Exposure values taken into account on regulatory purposes	56,609,015	0	0	0	0

## 7. Article 437 CRR Own funds

Reconciliation of financial data in accounting and prudential consolidation

The differences between the balance sheet positions from consolidation for accounting purposes and consolidation for prudential purposes come from different consolidation methods. For prudential consolidation, the group applies proportional consolidation for all investments in joint ventures.

### Own funds

Table 4

Thousand RON	2019	
	Group	Bank
Equity	4,831,738	4,694,993
Dividends paid	0	0
Other intangible assets*	-231,884	-228,511
Other adjustments related to Tier 1 Capital	80,448	80,442
Other adjustments including IFRS 9 transition	125,696	125,763
Total Tier 1	4,680,302	4,546,924
Tier 2 instruments	827,559	827,559
Net provisions for reported IRB credit exposures	92,423	93,168
Other adjustments related to Tier 2 Capital	0	0
Total Tier 2	919,983	920,727
Own funds	5,600,284	5,467,651

*\*the value of other intangible adjustments is presented net of deferred taxes*

## Statement of financial position

Table 5.

In RON thousand	Group		Bank
	IFRS 2019	Prudential 2019	IFRS 2019
<b>Assets</b>			
Cash and cash with Central Bank	6,506,880	6,506,880	6,506,056
Loans and advances to banks at amortised cost	207,307	207,307	201,002
Derivative assets held for risk management	8,843	8,843	8,843
Trading assets	402,931	402,931	402,931
Financial assets mandatorily at fair value through profit or loss	363,525	363,525	343,625
Investment securities at fair value through other comprehensive income	2,398,161	2,398,161	2,326,371
Equity instruments at fair value through other comprehensive income	61,902	61,902	61,902
Investment in subsidiaries, associates and joint ventures	17,780	17,780	97,953
Loans and advances to customers at amortised cost	27,593,634	27,587,461	26,961,414
Fair value changes of the hedged items-hedge accounting	3,204	3,204	3,204
Investment securities at amortised cost	4,952,776	4,952,776	4,674,232
Current tax receivable	365	365	0
Other assets	495,663	499,984	456,471
Deferred tax assets	21,175	21,175	18,334
Property, equipment and right-of-use assets	588,570	588,570	586,246
Intangible assets	233,512	233,512	230,140
<b>Total assets</b>	<b>43,856,228</b>	<b>43,854,376</b>	<b>42,878,724</b>

<b>Liabilities</b>			
Trading liabilities	15,091	15,091	15,091
Derivative liabilities held for risk management	25,304	25,304	25,304
Deposits from banks	308,670	308,670	308,670
Deposits from customers	36,108,826	36,049,920	35,802,310
Loans from banks and other financial institutions	512,962	512,962	42,269
Derivatives – hedge accounting	3,497	3,497	3,497
Current tax liabilities	7,413	7,413	5,207
Other liabilities	914,721	969,035	903,597
Debt securities issued	480,617	480,617	480,617
Subordinated liabilities	408,645	408,645	408,645
Provisions	239,777	241,484	188,524
<b>Total liabilities</b>	<b>39,025,523</b>	<b>39,022,638</b>	<b>38,183,731</b>

<b>Equity</b>			
Share capital	1,200,000	1,200,000	1,200,000
Other equity instruments	238,599	238,599	238,599
Retained earnings	3,112,004	3,111,538	2,976,706
Other reserves	280,102	281,601	279,688
<b>Total equity</b>	<b>4,830,705</b>	<b>4,831,738</b>	<b>4,694,993</b>
<b>Total liabilities and equity</b>	<b>43,856,228</b>	<b>43,854,376</b>	<b>42,878,724</b>

## **Summary of the main features of regulatory capital items**

### **Capital instruments**

Common Equity Tier 1 capital (CET 1) include the components of Tier 1 capital, after the progressive application of rules, which are provided in the CRR in order to adapt to the new regulations of the European Union and deductions from CET 1 after applying the exemptions according to article 48 CRR . All included instruments are eligible in accordance with Article 28 CRR. Changes in equity during the reporting period are available in the table "Statement of changes in equity" in the consolidated financial statements.

### **Tier 1 capital**

Tier 1 capital comprise CET 1 capital plus Additional Tier 1 capital (AT 1), less deductions from AT1 capital. These are negative amounts resulting from the amount of expected losses and adjustments for depreciation on internal model rating (IRB approach).

As of 31 December 2019 at Group level the common equity tier 1 is in amount of RON 4,680,302 thousand, (31 December 2018: RON 3.575.368 thousand) and at Bank level the common equity tier 1 is in amount of RON 4,546,924 thousand (31 December 2018: RON 3.497.674 thousand).

### **Tier 2 capital**

As at 31 December 2019 at Group level the common equity tier 2 after deductions amounted at RON 919.983 thousand ( 31 December 2018: RON 485,092 thousand), consisting mainly of subordinated debt.

As at 31 December 2019 at Bank level the common equity tier 2 after deductions amounted to RON 920,727 thousand (31 December 2018: RON 485,552 thousand), consisting mainly of subordinated debt.

Moreover, any excess of loan loss provisions over the amount of calculated expected losses for portfolios included under the IRB approach, up to a maximum of 0.6 per cent of the Credit Risk-Weighted Assets covered by the IRB approach is considered.

At the individual level the common equity includes the difference between prudential adjustments and, adjustments for depreciation for exposures based on standard approach.

The table below shows transitional own funds disclosure template according to the EU Technical Implementation standard no. 1423/2013.

**Transitional own funds disclosure template**  
**Table 6.**

RON thousand		Group	Bank	
Common Equity Tier 1 capital: instruments and reserves		31-Dec-19	31-Dec-19	((B) Reference article from EU Regulation no.575/2013
1	Capital instruments and the related share premium amounts	1,200,000	1,185,968	Article 26 paragraph (1), Article 27,28,29, ABE list from Article 26 paragraph (3)
	of which: Paid up capital instruments	1,200,000	1,200,000	ABE list from Article 26 paragraph (3)
	of which: Share premium	0	-14,032	ABE list from Article 26 paragraph (3)
2	Retained earnings	2,255,067	2,190,617	Article 26 paragraph (1), point (c )
3	Accumulated other comprehensive income (and other reserves, it include unrealised gains and losses under the applicable accounting standards)	264,479	262,546	Article 26 paragraph (1)
5a	Independently reviewed interim profits net of any foreseeable charge or dividends	835,804	779,456	Article 26 paragraph (2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	4,555,350	4,418,586	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>				
7	(-) Additional value adjustments (negative amount)	-7,526	-7,446	Articles 34, 105
8	(-) Intangible assets (net of related tax liability (negative amount)	-231,884	-228,511	Article 36, paragraph (1) point (b), Article 37, Article 472 paragraph (4)
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0	0	
	Of which: Available for sale Gain	0	0	Article 468
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	0	Article 481
	Of which: (-) Intangible assets (net of related tax liability)	0	0	Article 481
26c	Adjustments due transitional arrangements of the introduction IFRS 9	125,763	125,696	
27	(-) Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	0	0	Article 36 paragraph (1) lit (j)
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	-113,648	-110,261	



RON thousand		Group	Bank	
29	Common equity Tier 1 (CET1)	4,441,702	4,308,325	
Additional Tier 1 (AT1) capital: Instruments				
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0	0	
Additional Tier 1 (AT1) capital: regulatory adjustments				
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transition period pursuant to article 472 of Regulation (EU) No 575/2013	0	0	Article 472, Article 472 paragraph (3) litera (a), Article 472 paragraph (4), Article 472 paragraph (6), Article 472 paragraph (8) lit (a), Article 472 paragraph (9), Article 472 paragraph (10), lit (a), Article 472 paragraph (11) lit (a)
	Of which: (-) Intangible assets (net of related tax liability)	0	0	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	0	0	Article 467, 468, 481
	Of which: Local prudential filter - difference between prudential adjustments and adjustments for IFRS depreciation	0	0	Article 467
	Of which: Local filter - Bank exposure for granted loans on more favorable terms than those on the market	0	0	Article 467
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0	
44	Additional Tier 1 (AT1) capital	238,599	238,599	
45	Tier 1 capital (T1= CET1+AT1)	4,680,302	4,546,924	
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	827,559	827,559	Article 62, 63
50	Credit risk adjustments	92,423	93,168	Article 62 lit c) si (d)
51	Tier 2 (T2) capital before regulation adjustments	919,983	920,727	
Tier 2 (T2) capital: regulatory adjustments				
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0	0	
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	0	0	Article 467, 468, 481
	Of which: Local prudential filter - difference between prudential	0	0	Article 467

RON thousand		Group	Bank	
	adjustments and adjustments for IFRS depreciation			
57	Total regulatory adjustments to Tier 2 (T2)	0	0	
58	Tier 2 (T2)	919,983	920.727	
59	Total capital (TC = T1 + T2)	5,600,284	5.467.651	
60	Total risk weighted assets	24,628,414	23.277.994	
<b>Capital ratio and buffers</b>				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.03%	18.51%	Article 92 paragraph (2) lit (a), Article 465
62	Tier 1 (as a percentage of risk exposure amount)	19.00%	19.53%	Article 92 paragraph (2) lit (b), Article 465
63	Total capital (as a percentage of risk exposure amount)	22.74%	23.49%	Article 92 paragraph (2) lit (c)

Reconciliation between IFRS and CRR elements included in the Statement of financial position  
The following tables provide a reconciliation of the items in the IFRS statement of financial position with the items in CET1, the additional level 1 (AT1) items, the level 2 items (T2) and the prudential filters.

#### Reconciliation of subordinated debt in the financial statement and own funds

Table 7.

RON thousand	31-December-2019	
	Group	Bank
Outstanding subordinated loan	406,241	406,241
Subordinated loan accrued interest and amortized fees	2,404	2,404
Amortisation of subordinated Loans according Art 64, Regulation 575/2013	58,681	58,681
Debt securities issued	480,000	480,000
Amount in Own Funds	827,560	827,560

#### Reconciliation of other intangibles assets in the financial statements and own

Table 8.

RON thousand	31-December-2019				
	IFRS	CRR	Deferred tax liabilities associated to other intangible assets	Prudential adjustments	Own Funds
Other intangible assets	233,513	233,513	1,628	0	231,885
100% deducted from CET 1 according transitional approach	0	0	0	0	231,885
0% deducted from AT 1 according transitional approach	0	0	0	0	0
Goodwill	0	0	0	0	0

Other intangible assets	233,513	233,513	1,628	0	231,885
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Bank

31-December-2019

RON thousand	IFRS	CRR	Deferred tax liabilities associated to other intangible assets	Prudential adjustments	Own Funds
Other intangible assets	230,140	230,140	1,629	0	228,511
100% deducted from CET 1 according transitional approach	0	0	0	0	228,511
0% deducted from AT 1 according transitional approach	0	0	0	0	0
Goodwill	0	0	0	0	0
Other intangible assets	230,140	230,140	1,629	0	228,511

## 8. Article 438 CRR Capital Requirements

Maintaining an adequate level of capital is a core objective of the Group. As of 31 December 2019, the risk weighted assets determined based on prudential requirements - local standards (stop accruals are not applied) are as follows:

**Table 9.**

In RON thousand	2019	
	Bank	Group
TOTAL RISK EXPOSURE AMOUNT	23,277,994	24,628,414
Of which: Investment firms under Article 90 paragraph 2 and Article 93 of CRR	0	0
Of which: Investment firms under Article 91 paragraph 1 and 2 and Article 92 of CRR	0	0
RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	18,738,880	19,578,127
Standardised approach (SA)	3,210,889	4,174,254
SA exposure classes excluding securitisation positions	3,210,889	4,174,254
Central governments or central banks	0	0
Regional governments or local authorities	187,262	196,495
Public sector entities	46,925	46,925
Multilateral Development Banks	0	0
International Organisations	0	0
Institutions	60,460	4,239
Corporates	2,006,920	2,548,245
Retail	50,763	306,641
Secured by mortgages on immovable property	7,281	41,823
Exposures in default	1,902	36,858
Items associated with particular high risk	0	0
Covered bonds	0	0
Claims on institutions and corporates with a short-term credit assessment	0	0
Collective investments undertakings (CIU)	0	19,901
Equity	0	1
Other items	849,376	973,127
Securitisation positions SA	0	0
of which: resecuritisation	0	0
Internal ratings based Approach (IRB)	15,527,991	15,403,873
IRB approaches when neither own estimates of LGD nor Conversion Factors are used	8,397,083	8,392,844
Central governments and central banks	444,149	444,149
Institutions	155,553	151,314
Corporates - SME	3,138,632	3,138,632
Corporates - Specialised Lending	1,440,842	1,440,842
Corporates - Other	3,217,908	3,217,908
IRB approaches when own estimates of LGD and/or Conversion Factors are used	6,932,502	6,932,502
Central governments and central banks	0	0
Institutions	0	0
Corporates - SME	0	0

In RON thousand	2019	
	Bank	Group
Corporates - Specialised Lending	0	0
Corporates - Other	0	0
Retail - Secured by real estate SME	0	0
Retail - Secured by real estate non-SME	2,083,955	2,083,955
Retail - Qualifying revolving	585,984	585,984
Retail - Other SME	563,934	563,934
Retail - Other non-SME	3,698,628	3,698,628
Equity IRB	198,406	78,527
Securitisation positions IRB	0	0
Of which: resecuritisation	0	0
Other non credit-obligation assets	0	0
Risk exposure amount for contributions to the default fund of a CCP	0	0
TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY	0	0
Settlement/delivery risk in the non-Trading book	0	0
Settlement/delivery risk in the Trading book	0	0
TOTAL RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS	303,170	307,011
Risk exposure amount for position, foreign exchange and commodities risks under standardised approaches (SA)	303,170	307,011
Traded debt instruments	158,244	158,244
Equity	0	0
Foreign Exchange	144,926	148,768
Commodities	0	0
Risk exposure amount for Position, foreign exchange and commodities risks under internal models (IM)	0	0
TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR )	4,235,673	4,743,003
OpR Basic indicator approach (BIA)	0	4,743,003
OpR Standardised (STA) / Alternative Standardised (ASA) approaches	4,235,673	0
OpR Advanced measurement approaches (AMA)	0	0
ADDITIONAL RISK EXPOSURE AMOUNT DUE TO FIXED OVERHEADS	0	0
TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	272	272
Advanced method	0	0
Standardised method	272	272
Based on OEM	0	0
TOTAL RISK EXPOSURE AMOUNT RELATED TO LARGE EXPOSURES IN THE TRADING BOOK	0	0
OTHER RISK EXPOSURE AMOUNTS	0	0
Of which: Additional stricter prudential requirements based on Art 458	0	0
Of which: requirements for large exposures	0	0
Of which: due to modified risk weights for targeting asset bubbles in the residential and commercial property	0	0
Of which: due to intra financial sector exposures	0	0
Of which: Additional stricter prudential requirements based on Art 459	0	0
Of which: Additional risk exposure amount due to Article 3 CRR	0	0

Bank level, in RON thousand	RWA		Capital requirements
	2019	2018	2019
<b>Credit risk (excluding CCR)</b>	<b>18,712,554</b>	<b>18,229,003</b>	<b>1,497,004</b>
Of which the standardized approach	3,205,639	2,760,913	256,451
Of which the foundation IRB (FIRB) approach	8,376,008	8,161,179	670,081
Of which the advanced IRB (AIRB) approach	6,932,502	7,166,590	554,600
Of which equity IRB under the simple risk-weighted approach or the IMA	198,406	140,321	15,872
<b>CCR</b>	<b>26,598</b>	<b>43,651</b>	<b>2,128</b>
Of which mark to market	26,326	43,651	2,106
Of which original exposure	-	-	-
Of which the standardized approach	-	-	-
Of which internal model method (IMM)	-	-	-
Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
Of which CVA	272	-	22
Settlement risk	-	-	-
Securitization exposures in the banking book (after the cap)	-	-	-
Of which IRB approach	-	-	-
Of which IRB supervisory formula approach (SFA)	-	-	-
Of which internal assessment approach (IAA)	-	-	-
Of which standardized approach	-	-	-
<b>Market risk</b>	<b>303,170</b>	<b>541,475</b>	<b>24,254</b>
Of which the standardized approach	303,170	541,475	24,254
Of which IMA	-	-	-
Large exposures	-	-	-
<b>Operational risk</b>	<b>4,235,673</b>	<b>3,858,715</b>	<b>338,854</b>
Of which basic indicator approach	-	-	-
Of which standardized approach	4,235,673	3,858,715	338,854
Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-

Bank level, in RON thousand	RWA		Capital requirements
	2019	2018	2019
Floor adjustment	-	-	-
<b>Total</b>	<b>23,277,994</b>	<b>22,672,845</b>	<b>1,862,239</b>



As of 31 December 2019, the project finance exposures, based on classification category, are as follows:

Table 10.

Regulatory category	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Category 1	Less than 2.5 years	474,198	187,078	50%	579,061	289,530	0
	Equal to or more than 2.5 years	1,007,626	216,141	70%	1,169,732	818,812	4,679
Category 2	Less than 2.5 years	0	0	70%	0	0	0
	Equal to or more than 2.5 years	297,413	0	90%	297,413	267,671	2,379
Category 3	Less than 2.5 years	56,252	600	115%	56,372	64,828	1,578
	Equal to or more than 2.5 years	0	0	115%	0	0	0
Category 4	Less than 2.5 years	0	0	250%	0	0	0
	Equal to or more than 2.5 years	0	0	250%	0	0	0
Category 5	Less than 2.5 years	110,111	300	0%	110,171	0	55,085
	Equal to or more than 2.5 years	0	0	0%	0	0	0
<b>Total</b>		<b>1,945,600</b>	<b>404,119</b>		<b>2,212,748</b>	<b>1,440,842</b>	<b>63,722</b>

*\*\* Gross exposure, determined based on prudential requirements - local standards (stop accruals are not applied).*

## 9. Article 439 CRR Exposure to counterparty credit risk

The bank exposure on counterparty credit risk, as it's defined by CRR, is strongly monitor in order to ensure compliance with the approved limits for customers and product concentrations.

In order to calculate capital requirements, the Bank sums up the exposures of derivative financial instruments, applying Market Branding method according to the provisions of the previously mentioned regulation.

The counterparty credit risk is measured by the mark-to-market approach. The exposure is calculated from the current market value for each transaction plus a general add-on in order to capture the potential future credit exposure

As of 31 december 2019 Raiffeisen Bank S.A. did not have exposure for which a deterioration in credit quality could affect collateral level.

As of 31 december 2019 Raiffeisen Bank S.A. did not have credit derivate instruments.

As of December 2019, the value exposed to risk measured with CRR methods usage, for the transactions under credit risk of counterparty, was as follows:

Table 11.

In RON thousand	Bank level		
Exposures / Transactions subject to counterparty credit risk	Original exposure	Volatility adjustment	Risk weighted assets
Total, of which:	77,202	0	26,353
Corporate	39,517	0	15,943
Securities Financing Transactions	14,749	0	27
Derivatives & Long Settlement Transactions	24,768	0	15,916
Institutions	37,686	0	10,410
Securities Financing Transactions	0	0	0
Derivatives & Long Settlement Transactions	37,686	0	10,410

	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWA amounts
Mark to market		18,312	44,141			62,454	26,326
Original exposure							
Standardized approach							
IMM (for derivatives and SFTs)							
Of which securities financing transactions							

	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWA amounts
Of which derivatives and long settlement transactions							
Of which from contractual cross-product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)						313	27
VaR for SFTs							
<b>Total</b>	-	18,312	44,141	-	-	62,767	26,353

### Correlation risk

As of 31 December 2019, correlation risks between derivative transactions and assets received to cover credit exposure were not considered.

## 10. Article 440 CRR countercyclical capital buffer

Bank do not have credit exposures relevant for the calculation of the countercyclical capital buffer.

## 11. Article 441 CRR Indicators of systemic importance

Raiffeisen Bank is not identified as a global systemically important institution (G-SII) therefore, the disclosure requirement does not apply.

## 12. Article 442 CRR Credit risk adjustments

### *A. Description of approaches and methods applied to determine specific and general adjustments for credit risk*

Credit risk is quantified by allocating individual provisions and portfolio-level provisions.

#### A.1. Allocation of Individual Loan Loss Provisions

##### 1.1. Basic considerations

According to Group Accounts Manual V18.01, for a financial asset that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, a unit shall measure the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognized in profit or loss as an impairment gain or loss. For collateralized assets, the estimation also includes cash flows from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable. All measurement requirements also apply to debt securities.

As a general rule in RBRO, the first step is to assess whether objective evidence of impairment exists. Expected credit losses on individually large exposures and credit-impaired loans are generally measured individually.

At RBRO's level, individually significant exposures (excluding sovereigns and commercial banks) are those that exceed 0.4% of the total loan portfolio (considering Gross on B/S exposure, committed undrawn, Contingent liabilities); this threshold shall be reviewed on an annual basis by RBRO management and adjusted accordingly, if necessary.

The individually significant exposures are to be reviewed annually in the fourth quarter of each year.

Impairment Trigger Test frequency according to "SUP-2016-0126 Impairment Trigger Test and Individual Loan Loss Provision Calculation (Non-Retail) V2.0":

- Corporate/ Project Finance/ LRGs/ Sovereign/ FIs: at credit applications/ reviews/ amendments (excluding minor requests)/ restructurings/ concession/ whenever the CRS of a counterparty changes to PWO or WO;
- SMB - only PWO clients with local GCC Exposure > EUR 200k: at credit applications/ reviews/ amendments (excluding minor requests)/ restructurings/ whenever the CRS of a counterparty changes to PWO/ when concession is granted (irrespective of the exposure)
- WO clients with local GCC Exposure > EUR 200k: at credit reviews / restructurings/ when concession is granted (irrespective of the exposure), at least on quarterly basis.

In case any of the triggers is hit, the assessment of impairment is performed as follows:

- by the Credit Restructuring and Recovery Directorate for the clients in their portfolio. In case of LRGs and F/Is the calculation methodology shall be determined together with the Financial Analysis & Rating Departments, whereas the provision level shall be determined by the Credit Restructuring and Recovery Directorate;
- by the Financial Analysis and Rating Departments for corporate, LRG, F/I clients that are not in the portfolio of the Credit Restructuring and Recovery Directorate. In case of financial difficulty identified the Financial Analyst hits the appropriate trigger in EWS;
- by the SMB Credit Risk Department for SMB exposures that are not in the portfolio of the Credit Restructuring and Recovery Directorate.
- by the Project Finance Directorate for Project Finance clients that are not in the portfolio of the Credit Restructuring and Recovery Directorate. The result of the assessment should also be included in the CRM Statement by the Corporate Credit Risk Department.

In accordance with NBR instructions, those exposures with debt service higher than 180 days and for which no legal procedures have been already initiated are 100% provisioned.

## 1.2. Calculation procedure

As general rule, IFRS 9 requires the usage of several cash flows scenarios (under going concern and/or gone concern strategy) for NPV assessment within the ILLP calculation.

Two scenarios shall be applied. Also more scenarios can be used for assessment, but only the 2 most probable scenarios shall be taken into consideration for ILLP computation.

Probabilities for each scenario have to be assigned according to the likelihood of each scenario.

In case only one going concern scenario exists, per default a gone concern scenario has to be estimated in addition.

In case no reliable going concern scenario exists, gone concern scenarios shall be estimated.

For the exposures where previously ILLPs 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.

In case of NPV testing it does not make economic sense to use the approach of several scenarios applied and as consequence the following principles apply for NPV test:

- The most probable scenario/strategy has to be applied
- The cash flows have to be challenged before being used
- Only a going concern strategy is applicable

For smaller corporate and SMB entities (i.e. below 100.000 EUR), in case the exposure is significantly collateralized, and this collateral is central to cash flow generation, impairment test can be performed under gone concern assumption.

For financial assets which are credit impaired on initial recognition (POCI) a unit shall recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired assets.

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).

#### **1.2.1. Going concern scenario – highlights:-**

- Forced realization of core assets/collateral must not be taken into consideration but refinancing, voluntary sale (at the end of agreement/maxim reliable tenor), realization of documented non-core assets/collateral are feasible
- Cash flows for debt service also have to take other lenders into consideration
- Estimation of cash flows has to take into consideration: official financial statements as basis, forecast provided by management that will be challenged externally/internally, adjustments (best case, worst case, etc) for cases where only one scenario provided, CAPEX to preserve future cash flow generation and its effect on cash flow generation, neutralization of identified one-off positions which are not related to core business, assessment of future leverage ratio
- Terminal value – maximum reliable time horizon 5 years
- Time horizon and scenarios – i) cash-flows have to be reliable in terms of enforceability, ii) cash-flows have to be reliable in terms of time horizon, iii) the most probable scenario is taken into consideration
- Refinancing – cash flows are taken into account only if there is a documented agreement about the refinancing or refinancing based on acceptable leverage ratio
- Owner support/Guarantee - only if contractually established and creditworthiness of the owner has to be documented and proven

#### **1.2.2. Gone concern scenario - highlights:**

- Realization of collateral is the main source of cash flows; no operating cash flows used
- Cash flows for debt service also have to take other lenders into consideration as well as their ranking and must be documented
- ILLPs computation uses as parameters: forced realization collateral value, time horizon for realization, effective interest rate.
- Original effective interest rate represents the interest rate applicable for each facility of the client, according to the original contract. In case of variable interest rate (variable and fixed margin), the applicable interest rate for discounting is the current interest rate in force as of the calculation date. In case of restructuring (in the sense that the originator of the loan is allowing the customer certain concessions that would have not been considered in the normal course of business) the applicable interest rate for discounting is the interest before the modification of the terms. For facilities entirely past due (either accelerated or exceeding maturity), since there is no longer the case for any EIR (no current contractual cash flows in place), the applicable interest rate for discounting is the OEIR valid before the loan becomes entirely past due.

The process for calculating Stage 3 provisions is as follows:

- The contractual exposure is imported in the individual provision calculation application (Stage 3) Finevare, from the ICBS bank system.
- The value of forced execution of the guarantee (WCV) is imported in the application of individual provision calculation (Stage 3) Finevare, from the guarantee management system (CMS) through DWH; depending on the guarantee configuration set in Finevare, WCV is adjusted in the

application by eliminating the effect of the time value of money to avoid the effect of double discounting. Until June 2018, the adjustment provided for different types of collateral, specifically a realization period being allocated to each type of real estate type of collateral, an adjustment factor being determined at a discount with the average effective interest. Starting with June 2018, the adjustment factor takes into account a realization a period of 3 years and applies for 3 major categories of real estate guarantees.

- The set of scenarios is established (on the principle of continuing the activity / liquidation or liquidation / liquidation)

- The estimated recovery period is automatically imported into Finevare through the configuration of guarantees, however depending on the strategy applied, it can be modified or introduced manually by the restructuring / recovery officer

- Cash flows generated by the bank's system (ICBS) are automatically imported into Finevare via DWH, however depending on the strategy applied, they can be modified or entered manually by the restructuring / recovery officer.

- Additional realization costs (for obtaining the guarantee) can be applied manually

- The expected realization value (DER) is calculated by applying a discount rate obtained in the application when the default event occurs - the discount rate is known as the "original effective interest rate" (OEIR), obtained in the EIR module of Finevare application; the module is governed by the Accounting Department.

- The probability of each scenario is entered manually in Finevare; the values considered in the calculation are 70% for the main scenario and 30% for the secondary one, the latter being considered the conservative one; in case no recovery is expected, a 'no scenario' approach is applied as the application will calculate a full provision. In addition, depending on the strategy applied, scenarios with different probabilities than the standard ones can be modified or created manually.

- The probabilities are applied to the expected values of achievement (DER) associated with the facilities; if the DERs are higher than the exposures for those facilities, they will be limited to the exposure level before the probabilities are applied.

- Expected realization values (DER) are summed and used in the final calculation of the individual provision (Stage 3), diminishing the contractual exposure.

Items associated with POCI exposures, such as "Initial Impairment amounts", are not considered at this stage of the provision calculation.

## A.2 Provision calculation

### A.2.1 Retail customers (private individuals and Micro companies)

Starting with IFRS9 implementation (1<sup>st</sup> of January 2018), the expected loss calculation was aligned to the new RBI Group methodologies for the Retail portfolio; the Retail portfolio consists of 5 major products: PI Credit Card, PI Overdraft, PI Flexi, PI Secured and Micro.

All retail exposures kept at amortized cost are classified in one of the following 3 categories:

#### Stage 1

Exposures in this stage have a good payment behavior, in general these are new originated accounts and accounts whose rating didn't suffer a significant deterioration as compared to the origination moment.

Stage 1 provisions use the Lifetime PD model with a 12 month horizon for default event and the corresponding LGD and CF models. Moreover, macro overlay models adjust the Lifetime PD and LGD based on the macroeconomic forecasts for the next 3 years in 3 scenarios: base scenario (50% weight), optimistic scenario (25% weight) and pessimistic scenario (25% weight).

#### Stage 2

Exposures in this stage show a worsened payment behavior; an exposure is classified in Stage 2 if at least one of the following criteria is met:

##### Qualitative criteria

- DPD > 30;
- No rating at reporting or at last derecognition date;
- Exposure treated as POCL;
- Forborne exposure;
- The customer has another exposure marked with default;
- Holistic flag.

Qualitative criteria: a deterioration is observed between the estimated Lifetime PD curve for the lifetime exposure between the reporting date and the last derecognition date. The SICR parameter is used, a statistical parameter based on the historic portfolio.

Stage 2 provisions use the Lifetime PD model for the entire lifetime of the exposure for default event and the corresponding LGD and CF models. Moreover, macro overlay models adjust the Lifetime PD and LGD based on the macroeconomic forecasts for the next 3 years in 3 scenarios: base scenario (50% weight), optimistic scenario (25% weight) and pessimistic scenario (25% weight).

ECL calculation process for Stage 1 and Stage 2 includes the following steps:

**Step 1:** for each exposure calculate the unconditional Lifetime PD, the LGD and EAD for each future period, including the specific macro models adjustments.

**Step 2:** Calculate ECL for each future period  $t$  (month) for each macro scenario  $SC_i$  as:

$$ECL_t(SC_i) = PD_{t-1,t}(SC_i) \cdot LGD_t(SC_i) \cdot EAD_t(SC_i) \quad (12.1)$$

where:

$PD_{t-1,t}(SC_i)$  is the unconditional monthly probability of default in period  $t$ , with macro model adjustment for scenario  $SC_i$

$LGD_t(SC_i)$  is the loss given default in period  $t$ , with macro model adjustment for scenario  $SC_i$

$EAD_t(SC_i)$  is exposure at period  $t$ , which takes into account the changes due to amortization and / or future withdrawn for revolving facilities



**Step 3:** Calculate ECL for each scenario and period  $t$ :

$$\text{Discounted } ECL_t(SC_i) = \frac{ECL_t(SC_i)}{(1 + EIR)^{t/12}} \quad (12.2)$$

where EIR is effective interest rate.

**Step 4:** Calculate total ECL for each macro-economic scenario  $SC_i$

$$ECL(SC_i) = \sum_{t=1}^m \text{Discounted } ECL_t(SC_i) \quad (12.3)$$

where  $m$  is:

Stage 1 -

$$m = \min(12; \text{remaining maturity in months})$$

Stage 2 -

$$m = \text{remaining maturity in months}$$

**Step 5:** Calculate final ECL as weighted ECL for each macroeconomic scenario, using the defined weights.

### Stage 3

Stage 3 is allocated to defaulted exposures. The methodology is the following:

The provision is calculated as the exposure at default multiplied by BEEL, where BEEL is the best estimate for expected loss.

$$ECL = \text{Exposure} \cdot BEEL_{IFRS}$$

## A.2.2. Non Retail Customers

### Basic considerations

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, then the asset is included in a group of financial assets with similar credit risk characteristics and the Bank collectively assesses them for impairment.

The reason for this approach is that impairment that cannot be identified with an individual loan may be identifiable on a portfolio basis. A loan or other financial asset measured at amortized cost that is individually assessed for impairment and found not to be impaired could be included in a group of similar financial assets (collective assessment) that are assessed for impairment on a portfolio basis.

This is to reflect that, in the light of the law of large numbers, impairment may be evident in a group of assets, but not yet meet the threshold for recognition when any individual asset in that group is assessed.

A collective evaluation identifies losses that have been incurred on a group basis as of the balance sheet date, but cannot yet be identified with individual assets. Assets that are individually assessed for impairment (either significant or not) and identified as impaired are excluded from a portfolio assessment of impairment. Excluding assets that are individually identified as impaired from a portfolio assessment of impairment is consistent with the view that collective evaluation of impairment is an interim step pending the identification of impairment losses on individual assets.

Under IFRS9, the measurement on a collective basis incorporates borrower specific information, such as delinquency, collective historical experience of losses and forward-looking macroeconomic information.

The portfolio based loan loss provisions are calculated by RBI, in line with the Group Methodology for Impairment Non-Retail Stage 1 & 2. There is no local methodology, all NWUs, including RBRO, adhering to the Group Methodology.

### Identification of Portfolios

Apart from the financial instrument classification introduced in IFRS 9 (Classification & Measurement Stream), RBI Group credit risk portfolio is additionally subject to customer and default segmentation, for which different impairment solutions have been developed.

In the RBI Group the non-retail segment represents long-term partnerships with corporate customers and support services in the area of markets & investment banking, where institutional customers (notably banks, insurance companies, asset management companies, sovereigns, regional governments) and Group-wide trading activities stand in the focus. According to the counterparty type allocation, further credit risk segmentation to rating models follows. A rating model determines to which exposure segment a customer belongs in the credit risk practice of the RBI Group. A rating model is developed to provide rules for categorization of individual customers based on credit analysis and market conditions – a credit rating assignment, using a series of graduating categories based on credit risk – a master scale, and their validation.

All rating models are relevant for impairment calculation without exception. Low default exposure segments such as financial institution, fund, insurance, sovereign and regional government cannot be omitted while calculating impairment, since IFRS 9 compliant probabilities of default must be greater than 0, which implies there is certain risk the bank has to bear. Even the assets not allocated to any rating model need to have an impairment model. Nevertheless, based on their properties, that one can be simplified as stated in IFRS 9 standard.

### **Expected credit loss calculation**

Expected credit losses are calculated as the sum of the marginal losses occurring in each time period of the balance sheet date. The marginal losses are derived from individual parameters that estimate exposures and losses in the case of default and the marginal probability of default for each period. The expected credit loss calculations are based on four components:

a) Probability of Default (“PD”) – This is an estimate of the likelihood of default over a given time horizon.

For the segments of Regular Corporates, Large Corporates, Financial Institutions, Project Finance and Small and Medium Business the lifetime curves are modeled via a parametric function. For the other segments the transition matrix approach is currently applied.

The probability to default PD(t) is, where relevant, adjusted for the status of the macroeconomy. To incorporate macroeconomic information into the default probability the One-Factor / Vasicek model is applied, as presented in the above methodology.

For some rating models (i.e. Regular corporate and SMB), the data are pooled from all countries. The initial rating grade determines the PD curve and it is based on a country-specific calibration. This method ensures that a country specific risk differentiation is applied, while at the same time the estimation of the PD curve benefits from the pool of available information.

b) Exposure at Default (“EAD”) – This 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, and expected drawdowns on committed facilities.

EAD model is developed only for High Default Portfolios (ie Corporates and SMBs), since other portfolios (FI, LRG, Sovereign, CIU) typically do not have products with off-balance exposures and hence do not require EAD modeling (ie the EAD is equal to the drawn amount). Residual cases for which an off-balance exposure has been found will be assigned average values of the coefficients estimated on HDP.

Country is a driver in the EAD model, with RBRO included in EU region (countries in EU with local currency).

c) Loss Given Default (“LGD”) – This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Country is a driver in the LGD model and there are specific values of LGD only for Romania.  
d) Discount Rate – This is used to discount an expected loss to a present value at the reporting date using the effective interest rate (EIR) at initial recognition.

The Group is measuring expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes (3 scenarios used)
- The time value of money (via EIR discounting)
- 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 (forward looking information).

### **Macroeconomic scenarios**

The Group incorporates forward looking information into its impairment calculation. This is done via the macroeconomic models, which leads to a direct adjustment of the default probabilities. To be precise forward looking information is incorporated via the macroeconomic input parameters of the macroeconomic model. Since RBI will not know future realizations of these macroeconomic parameters with certainty, the inherent uncertainty makes it necessary to consider a scenario calculation.

Three scenarios are considered: A base scenario, an optimistic scenario and a pessimistic scenario. The latter two scenarios are attached with a weight of 25%. The base scenario has an attached weight of 50% in the calculation.

For each scenario a set of values for the relevant macroeconomic variables is delivered by Raiffeisen Research. This set is used as an input for the macroeconomic model, which subsequently is applied to adjust the relevant input parameters (PD, LGD).

### **Approach to ON-balance sheet items**

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

The purpose of estimating expected credit losses is neither to estimate a worst-case scenario nor to estimate the best-case scenario. Instead, an estimate of expected credit losses shall always reflect the possibility that a credit loss occurs and the possibility that no credit loss occurs even if the most likely outcome is no credit loss. Therefore for practical purposes the use of probability-weighted estimates of credit loss does have to consider multiple outcomes. The Bank estimates expected credit losses for multiple macroeconomic scenarios to which weights are assigned in accordance to the likelihood of occurrence of a specific outcome.

It should be noted that 12-month expected credit losses are a portion of the lifetime expected credit losses and represent the lifetime cash shortfalls that will result if a default occurs in the 12 months after the reporting date (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring.

Expected credit losses shall be discounted to the reporting date using the effective interest rate determined at initial recognition or an approximation thereof. In the case of a variable rate instrument expected credit losses shall be discounted using the current effective interest rate.

### **Approach to OFF-balance sheet items**

For facilities (loan commitments), financial guarantee contracts, letters of credit and other off-balance sheet items, the date that the entity becomes a party to the irrevocable facilities shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements. For facilities, the bank considers changes in the risk of a default occurring on the loan to which a facility relates. For financial guarantee contracts, the bank considers the changes in the risk that the customer will default on the contract.

In both cases for a financial asset, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive. In the case of undrawn loan commitments, a credit loss is the present value of the difference between the contractual cash flows that are due to the entity for the part the holder of the loan commitment is expected to draw down the loan and the cash flows that the entity expects to receive if the loan is drawn down.

An entity's estimate of expected credit losses on loan commitments shall be consistent with its expectations of drawdowns on that loan commitment, i.e. it shall consider the expected portion of the loan commitment that will be drawn down within 12 months of the reporting date when estimating 12-month expected credit losses, and the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment when estimating lifetime expected credit losses. When estimating lifetime expected credit losses for undrawn off-balance sheet instruments, first the portion of the off-balance instrument that will be drawn down over the expected life of the instrument needs to be estimated (i.e. a credit conversion factor CCF). In the next step, for the drawn part, the present value of cash shortfalls between the contractual and the expected cash flows is calculated.

For a financial guarantee contract, the Bank is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed.

Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee.

The expected credit losses on a loan commitment shall be discounted using the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from the loan commitment. This is because for the purpose of applying the impairment requirements, a financial asset that is recognised following a draw down on a loan commitment shall be treated as a continuation of that commitment instead of as a new financial instrument. The expected credit losses on the financial asset shall therefore be measured considering the initial credit risk of the loan commitment from the date that the entity became a party to the irrevocable commitment.

Expected credit losses on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined shall be discounted by applying a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted

## ***B. Definition of the terms "past due" and "impaired" for accounting purposes***

### **Past due exposures**

Exposures are past due when the counterparties have been exceeded the agreed date for payment.

### **Non-performing not defaulted exposure**

Forbearance regulation pursuant to EBA/ITS/2013/03/rev1 from 24th of July 2014 and updated in 10th of March 2015 was implemented at Group level.

For reporting purposes, according to EBA ITS, non-performing exposures are considered those that satisfy at least one of the following criteria:

- a) The exposure was classified as default/Stage 3 according to IFRS 9;
- b) Performing restructured exposure that was reclassified from non-performing exposure and for which the restructuring measures have been extended during the monitoring time frame;
- c) Performing restructured exposure that was reclassified from non-performing exposure and for which number of days past due reached more than 30 days during the monitoring time frame.

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

### **Non-retail**

For non-retail clients, when terms or loan conditions are modified in favour of the customer, the Group differentiates between normal renegotiation and forbore loans according to the definition of the EBA document "Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures)". According to EBA definition, non-performing exposure includes exposure without any reason for default according to Article 178 CRR, but has been reclassified from non-performing status and subsequently, during the probationary period as performing restructured, restructuring measures have been extended or 30 days of overdue payment were recorded.

Loans are defined as forbore if the debtor is assessed to have financial difficulties and the modification is assessed as concession. For non-retail customers, financial difficulties are measured by means of an internal early warning system and assessed by financial and risk analysts. Such loans are rated 7 or below 7 in the internal rating scale, which means that such loans have marginal credit standing or worse.

IFRS 9 requires that impairment losses for Stage 1, 2 and 3 must be derived from an expected loss event. Pursuant to article 178 CRR default continues to be main indicator for Stage 3.

### **Retail**

For retail customers, the restructured loans are subject to probation period for one year in terms of non-performing status extended to the period until the exit criteria is met.

In the case of a non-performing exposure to Micro SME, the non-performing status is applied at debtor level.

In case of PI non-performing exposure, the non-performing state is applied on the account level. In the situations when the client has multiple exposures, the contamination rules described in the policy for defining the default state for retail are applied. Respectively, for the products in the same category, the client all exposures will be contaminated by the non-performing state. In case a PI client own exposures of default whose gross book value represents 20% of the gross balance sheet book total value, then all balance sheet and off-balance sheet exposures will be considered non-performing, therefore the performing facilities can be reclassified as non-performing due to the contamination on product and debtor levels.

### **Impairment allowance on loans and advances**

The application of the Group's accounting policy requires judgments from the management. The Group assesses on a forward-looking basis the expected credit losses associated with its financial instrument assets carried at amortised cost and FVOCI and with the exposures arising from loan commitments, financial guarantee contracts and leasing receivables. The calculation of expected credit losses requires the use of accounting estimates that do not always match actual results. The amount of impairment to be allocated depends on credit risk parameters such as: PD, LGD and EAD as well as on future-oriented information (economic forecasts) which are estimated by the management.

### C. Quantitative presentation in accordance with accounting regulations

The table below shows the total and average value of net exposures over the period, depending on the exposure class (net balance sheet and off-balance sheet exposure values):

**Table 12.**

Group Article 442 (c) CRB-B thousand RON	Net value of exposures 31.12.2019	Average net exposures over 2019
Central governments or central banks	4,821,375	4,534,275
Institutions	2,099,451	1,908,422
Corporates	12,628,492	10,784,440
Of which: Specialized lending	2,196,778	1,654,917
Of which: SMEs	6,383,850	5,507,295
Retail	18,759,398	16,645,637
Secured by real estate property	7,056,981	6,524,640
SMEs	0	0
Non-SMEs	7,056,981	6,524,640
Qualifying revolving	4,283,146	3,908,582
Other retail	7,419,271	6,212,415
SMEs	1,281,542	1,084,659
Non-SMEs	6,137,730	5,127,755
Equity	61,798	54,856
Total IRB approach	38,370,514	33,927,630
Central governments or central banks	5,928,979	5,178,576
Regional governments or local authorities	1,063,383	919,191
Public sector entities	46,925	47,959
Multilateral development banks	63,989	62,596
International organizations	0	0
Institutions	36,532	41,315
Corporates	6,125,971	4,484,746
Retail	524,569	492,220
Of which: SMEs	486,786	451,193
Secured by mortgages on immovable property	56,245	56,999
Of which: SMEs	19,799	17,538
Exposures in default	30,536	22,905
Items associated with particularly high risk	0	0
Covered bonds	0	0
Claims on institutions and corporates with a short-term credit assessment	0	0
Collective investments undertakings	24,149	21,748
Equity exposures	1,770	1,770
Other exposures	4,335,453	4,023,719
Total standardized approach	18,238,501	15,353,744
<b>Total</b>	<b>56,609,015</b>	<b>49,281,374</b>

Bank Article 442 (c) CRB-B thousand RON	Net value of exposures 31.12.2019	Average net exposures over 2019
Central governments or central banks	4,821,375	4,534,275
Institutions	2,099,451	1,908,422
Corporates	13,129,238	11,285,185
Of which: Specialized lending	2,196,778	1,654,917
Of which: SMEs	6,383,850	5,507,295
Retail	18,759,398	16,645,637
Secured by real estate property	7,056,981	6,524,640
SMEs	0	0
Non-SMEs	7,056,981	6,524,640
Qualifying revolving	4,283,146	3,908,582
Other retail	7,419,271	6,212,415
SMEs	1,281,542	1,084,659
Non-SMEs	6,137,730	5,127,755
Equity	159,854	152,913
Total IRB approach	38,969,316	34,526,432
Central governments or central banks	5,623,659	4,847,852
Regional governments or local authorities	1,017,221	873,253
Public sector entities	46,925	47,959
Multilateral development banks	63,989	62,596
International organizations	0	0
Institutions	0	0
Corporates	5,457,074	3,855,369
Retail	69,945	57,132
Of which: SMEs	67,545	54,888
Secured by mortgages on immovable property	22,259	19,959
Of which: SMEs	19,799	17,538
Exposures in default	1,897	2,883
Items associated with particularly high risk	0	0
Covered bonds	0	0
Claims on institutions and corporates with a short-term credit assessment	0	0
Collective investments undertakings	0	0
Equity exposures	0	0
Other exposures	4,283,360	3,976,855
Total standardized approach	16,586,329	13,743,859
<b>Total</b>	<b>55,555,645</b>	<b>48,270,291</b>



The following tables give the breakdown of the total net values of exposures by exposure class and geographical area:

**Table 13.**

Group Article 442 (d) CRB-C thousand RON	BUCHAREST - ILFOV	CENTRE	NORTH- EST	NORTH- WEST	SOUTH - MUNTENIA	SOUTH - EST	SOUTH- WEST OLTENIA	WEST	Other countries	Other areas	Total
Central governments or central banks	2,301,322	0	0	0	0	0	0	0	2,520,053	0	4,821,375
Institutions	338,175	6,592	1,699	15,513	500	1,599	200	0	1,735,173	0	2,099,451
Corporates	4,594,377	1,277,317	662,307	1,138,374	1,518,536	1,734,075	507,189	1,166,495	29,822	0	12,628,492
Retail	4,752,455	1,953,045	1,795,803	1,833,322	2,721,599	2,293,403	1,645,401	1,722,080	42,290	0	18,759,398
Equity	12,570	0	0	0	0	0	0	0	49,228	0	61,798
Total IRB approach	11,998,899	3,236,954	2,459,809	2,987,209	4,240,635	4,029,077	2,152,790	2,888,575	4,376,566	0	38,370,514
Central governments or central banks	4,531,505	0	0	0	0	0	0	0	1,397,474	0	5,928,979
Regional governments or local authorities	765,767	54,646	128,550	50,930	3,574	21,658	31,555	6,703	0	0	1,063,383
Public sector entities	46,925	0	0	0	0	0	0	0	0	0	46,925
Multilateral development banks	0	0	0	0	0	0	0	0	0	63,989	63,989
Institutions	29,446	0	0	0	0	0	0	0	7,086	0	36,532
Corporates	3,677,288	399,984	105,931	178,336	267,773	562,900	210,059	430,665	293,035	0	6,125,971
Retail	116,273	56,320	65,996	47,049	104,803	74,546	29,462	30,120	0	0	524,569
Secured by mortgages on immovable property	19,059	5,058	7,839	5,101	5,826	5,201	4,625	3,536	0	0	56,245
Exposures in default	8,069	2,223	4,496	4,448	3,901	2,264	3,060	2,139	-64	0	30,536
Items associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0	0	0	0	0	0
Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0
Collective investments undertakings	24,149	0	0	0	0	0	0	0	0	0	24,149
Equity exposures	1	0	0	0	0	0	0	0	1,769	0	1,770
Other exposures	461,934	1,186	953	1,040	2,559	5,948	629	1,144	3,860,060	0	4,335,453
Total standardized approach	9,680,416	519,417	313,765	286,904	388,436	672,517	279,390	474,307	5,559,360	63,989	18,238,501
<b>Total</b>	<b>21,679,315</b>	<b>3,756,371</b>	<b>2,773,574</b>	<b>3,274,113</b>	<b>4,629,071</b>	<b>4,701,594</b>	<b>2,432,180</b>	<b>3,362,882</b>	<b>9,935,926</b>	<b>63,989</b>	<b>56,609,015</b>

Bank Article 442 (d) CRB-C Thousand RON	BUCHAREST - ILFOV	CENTRE	NORTH- EST	NORTH- WEST	SOUTH - MUNTENIA	SOUTH - EST	SOUTH - WEST OLTENIA	WEST	Other countries	Other areas	Total
Central governments or central banks	2,301,322	0	0	0	0	0	0	0	2,520,053	0	4,821,375
Institutions	338,175	6,592	1,699	15,513	500	1,599	200	0	1,735,173	0	2,099,451
Corporates	5,095,124	1,277,317	662,307	1,138,374	1,518,536	1,734,075	507,189	1,166,495	29,821	0	13,129,238
Retail	4,752,453	1,953,045	1,795,803	1,833,322	2,721,599	2,293,403	1,645,401	1,722,080	42,292	0	18,759,398
Equity	110,626	0	0	0	0	0	0	0	49,228	0	159,854
Total IRB approach	12,597,700	3,236,954	2,459,809	2,987,209	4,240,635	4,029,077	2,152,790	2,888,575	4,376,568	0	38,969,316
Central governments or central banks	4,226,185	0	0	0	0	0	0	0	1,397,474	0	5,623,659
Regional governments or local authorities	719,605	54,646	128,550	50,930	3,574	21,658	31,555	6,703	0	0	1,017,221
Public sector entities	46,925	0	0	0	0	0	0	0	0	0	46,925
Multilateral development banks	0	0	0	0	0	0	0	0	0	63,989	63,989
Institutions	0	0	0	0	0	0	0	0	0	0	0
Corporates	3,437,181	328,665	71,674	103,902	132,147	513,466	190,451	386,553	293,035	0	5,457,074
Retail	4,348	1,423	4,716	2,293	21,714	25,231	4,465	5,754	1	0	69,945
Secured by mortgages on immovable property	5,425	1,330	1,910	2,557	2,801	3,185	2,960	2,091	,0	0	22,259
Exposures in default	78	42	62	138	152	91	1,327	7	0	0	1,897
Items associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0	0	0	0	0	0
Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0
Collective investments undertakings	0	0	0	0	0	0	0	0	0	0	0
Equity exposures	0	0	0	0	0	0	0	0	0	0	0
Other exposures	410,834	1,186	953	1,040	2,559	5,948	629	1,144	3,859,067	0	4,283,360
Total standardized approach	8,850,581	387,292	207,865	160,860	162,947	569,579	231,387	402,252	5,549,577	63,989	16,586,329
<b>Total</b>	<b>21,448,281</b>	<b>3,624,246</b>	<b>2,667,674</b>	<b>3,148,069</b>	<b>4,403,582</b>	<b>4,598,656</b>	<b>2,384,177</b>	<b>3,290,827</b>	<b>9,926,145</b>	<b>63,989</b>	<b>55,555,645</b>

The table below shows the breakdown of exposures by types of business sectors or counterparties and exposure classes (on-balance sheet and off-balance sheet exposures):

**Table 14.**

Group Article 442 (e) CRB-D Thousand RON	Agriculture, forestry and	Mining and quarrying	Manufacturi ng	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommod ation and food service activities
Central governments or central banks	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0	0	0
Corporates	1,005,100	8,036	2,456,853	188,528	106,016	1,782,845	3,975,585	1,106,788	411,294
Retail	141,485	2,461	159,790	423	10,207	150,382	398,938	166,109	39,299
Equity	0	0	0	0	0	0	0	0	0
<b>Total IRB approach</b>	<b>1,146,585</b>	<b>10,497</b>	<b>2,616,643</b>	<b>188,951</b>	<b>116,223</b>	<b>1,933,227</b>	<b>4,374,523</b>	<b>1,272,897</b>	<b>450,593</b>
Central governments or central banks	0	0	0	0	0	0	0	0	0
Regional governments or local authorities	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0	0	0	0
International organizations	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0	0	0
Corporates	82,532	309,506	1,094,524	583,640	25,688	267,210	1,457,212	308,407	31,410
Retail	88,112	1,097	33,565	0	5,028	40,245	69,301	155,118	8,836
Secured by mortgages on immovable property	4,141	0	97	0	0	0	144	201	114
Exposures in default	2,567	0	1,863	0	292	2,232	2,675	14,071	422
Items associated with particularly high risk	0	0	0	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0	0	0	0
Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0
Collective investments undertakings	0	0	0	0	0	0	0	0	0
Equity exposures	0	0	0	0	0	0	0	0	0
Other exposures	216	1	439	373	1	2,523	6,238	4,464	396
<b>Total standardized approach</b>	<b>177,568</b>	<b>310,604</b>	<b>1,130,488</b>	<b>584,013</b>	<b>31,009</b>	<b>312,210</b>	<b>1,535,570</b>	<b>482,261</b>	<b>41,178</b>
<b>Total</b>	<b>1,324,153</b>	<b>321,101</b>	<b>3,747,131</b>	<b>772,964</b>	<b>147,232</b>	<b>2,245,437</b>	<b>5,910,093</b>	<b>1,755,158</b>	<b>491,771</b>

Group Article 442 (e) CRB-D Thousand RON	Information and communication	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defense, compulsory social security	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Total
Central governments or central banks	0	0	0	0	2,301,256	0	0	0	2,520,119	4,821,375
Institutions	0	0	0	0	67,376	0	4,495	0	2,027,580	2,099,451
Corporates	139,676	1,294,278	254,999	242,001	3,048	47,340	377,479	17,734	-789,108	12,628,492
Retail	28,921	8,361	74,063	58,859	235	6,464	15,885	7,952	17,489,564	18,759,398
Equity	0	0	0	0	0	0	0	0	61,798	61,798
<b>Total IRB approach</b>	<b>168,597</b>	<b>1,302,639</b>	<b>329,062</b>	<b>300,860</b>	<b>2,371,915</b>	<b>53,804</b>	<b>397,859</b>	<b>25,686</b>	<b>21,309,953</b>	<b>38,370,514</b>
Central governments or central banks	0	0	0	0	4,531,505	0	0	0	1,397,474	5,928,979
Regional governments or local authorities	0	0	0	0	1,038,642	0	0	0	24,741	1,063,383
Public sector entities	0	46,925	0	0	0	0	0	0	0	46,925
Multilateral development banks	0	0	0	0	0	0	0	0	63,989	63,989
International organizations	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0	0	36,532	36,532
Corporates	337,757	108,745	157,775	8,523	685	104	16,201	2,791	1,333,261	6,125,971
Retail	7,240	32,447	33,148	14,541	67	1,086	16,661	2,539	15,538	524,569
Secured by mortgages on immovable property	0	33,986	4,424	0	704	0	6,931	0	5,503	56,245
Exposures in default	110	3,747	1,009	319	0	11	70	0	1,148	30,536
Items associated with particularly high risk	0	0	0	0	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0	0	0	0	0
Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0
Collective investments undertakings	0	0	0	0	0	0	0	0	24,149	24,149
Equity exposures	0	0	0	0	0	0	0	0	1,770	1,770
Other exposures	72	1	94	4	393,462	0	0	0	3,927,169	4,335,453

Total standardized approach	345,179	225,851	196,450	23,387	5,965,065	1,201	39,863	5,330	6,831,274	18,238,501
<b>Total</b>	<b>513,776</b>	<b>1,528,490</b>	<b>525,512</b>	<b>324,247</b>	<b>8,336,980</b>	<b>55,005</b>	<b>437,722</b>	<b>31,016</b>	<b>28,141,227</b>	<b>56,609,015</b>

Bank Article 442 (e) CRB-D Thousand RON	Agriculture, forestry and	Mining and quarrying	Manufacturi ng	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommod ation and food service activities
Central governments or central banks	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0	0	0
Corporates	1,005,100	8,036	2,456,853	188,528	106,016	1,782,845	3,975,585	1,106,788	411,294
Retail	141,485	2,461	159,790	423	10,207	150,382	398,938	166,109	39,299
Equity	0	0	0	0	0	0	0	0	0
<b>Total IRB approach</b>	<b>1,146,585</b>	<b>10,497</b>	<b>2,616,643</b>	<b>188,951</b>	<b>116,223</b>	<b>1,933,227</b>	<b>4,374,523</b>	<b>1,272,897</b>	<b>450,593</b>
Central governments or central banks	0	0	0	0	0	0	0	0	0
Regional governments or local authorities	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0	0	0	0
International organizations	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0	0	0
Corporates	64,299	303,763	988,318	583,640	0	216,271	1,278,131	110,303	0
Retail	50,258	0	1,009	0	120	289	385	8	311
Secured by mortgages on immovable property	4,141	0	97	0	0	0	144	201	114
Exposures in default	525	0	0	0	0	0	0	0	0
Items associated with particularly high risk	0	0	0	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0	0	0	0
Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0
Collective investments undertakings	0	0	0	0	0	0	0	0	0
Equity exposures	0	0	0	0	0	0	0	0	0
Other exposures	216	1	439	373	1	2,523	6,238	4,464	396
<b>Total standardized approach</b>	<b>119,439</b>	<b>303,764</b>	<b>989,863</b>	<b>584,013</b>	<b>121</b>	<b>219,083</b>	<b>1,284,898</b>	<b>114,976</b>	<b>821</b>
<b>Total</b>	<b>1,266,024</b>	<b>314,261</b>	<b>3,606,506</b>	<b>772,964</b>	<b>116,344</b>	<b>2,152,310</b>	<b>5,659,421</b>	<b>1,387,873</b>	<b>451,414</b>

Bank Article 442 (e) CRB-D Thousand RON	Information and communication	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defense, compulsory social security	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Total
Central governments or central banks	0	0	0	0	2,301,256	0	0	0	2,520,119	4,821,375
Institutions	0	0	0	0	67,376	0	4,495	0	2,027,580	2,099,451
Corporates	139,676	1,294,278	254,999	242,001	3,048	47,340	377,479	17,734	-288,362	13,129,238
Retail	28,921	8,361	74,063	58,859	235	6,464	15,885	7,952	17,489,564	18,759,398
Equity	0	0	0	0	0	0	0	0	159,854	159,854
<b>Total IRB approach</b>	<b>168,597</b>	<b>1,302,639</b>	<b>329,062</b>	<b>300,860</b>	<b>2,371,915</b>	<b>53,804</b>	<b>397,859</b>	<b>25,686</b>	<b>21,908,755</b>	<b>38,969,316</b>
Central governments or central banks	0	0	0	0	4,226,185	0	0	0	1,397,474	5,623,659
Regional governments or local authorities	0	0	0	0	992,480	0	0	0	24,741	1,017,221
Public sector entities	0	46,925	0	0	0	0	0	0	0	46,925
Multilateral development banks	0	0	0	0	0	0	0	0	63,989	63,989
International organizations	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0	0	0	0
Corporates	330,488	106,747	142,510	2	0	1	1	0	1,332,600	5,457,074
Retail	0	0	5,174	160	32	0	6,709	0	5,490	69,945
Secured by mortgages on immovable property	0	0	4,424	0	704	0	6,931	0	5,503	22,259
Exposures in default	0	0	242	0	0	0	63	0	1,067	1,897
Items associated with particularly high risk	0	0	0	0	0	0	0	0	0	0
Covered bonds	0	0	0		0	0	0	0	0	0
Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0
Collective investments undertakings	0	0	0	0	0	0	0	0	0	0
Equity exposures	0	0	0	0	0	0	0	0	0	0

Other exposures	72	1	94	4	393,462	0	0	0	3,875,076	4,283,360
<b>Total standardized approach</b>	<b>330,560</b>	<b>153,673</b>	<b>152,444</b>	<b>166</b>	<b>5,612,863</b>	<b>1</b>	<b>13,704</b>	<b>0</b>	<b>6,705,940</b>	<b>16,586,329</b>
<b>Total</b>	<b>499,157</b>	<b>1,456,312</b>	<b>481,506</b>	<b>301,026</b>	<b>7,984,778</b>	<b>53,805</b>	<b>411,563</b>	<b>25,686</b>	<b>28,614,695</b>	<b>55,555,645</b>

The table below shows the breakdown of net exposures by residual maturity and exposure classes:

**Table 15.**

Group Article 442 (f) CRB-E Thousand RON	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Central governments or central banks	2,520,053	247,948	1,629,963	423,344	0	4,821,308
Institutions	17,938	289,968	25,220	0	34,119	367,245
Corporates	0	2,680,539	2,854,420	1,850,770	8,781	7,394,510
Retail	0	793,127	7,259,999	7,593,410	7,461	15,653,997
Equity	0	0	0	0	61,798	61,798
<b>Total IRB approach</b>	<b>2,537,991</b>	<b>4,011,582</b>	<b>11,769,602</b>	<b>9,867,524</b>	<b>112,159</b>	<b>28,298,858</b>
Central governments or central banks	1,400,696	968,706	2,570,869	988,518	190	5,928,979
Regional governments or local authorities	0	81,113	25,271	881,811	6	988,201
Public sector entities	0	0	0	46,925	0	46,925
Multilateral development banks	0	21,314	42,675	0	0	63,989
International organizations	0	0	0	0	0	0
Institutions	660	29,303	3,514	0	3,054	36,531
Corporates	426	1,038,612	2,159,456	361,615	4	3,560,113
Retail	18	28,575	432,393	40,205	0	501,191
Secured by mortgages on immovable property	0	1,917	8,900	45,019	0	55,836
Exposures in default	3,039	4,459	20,476	1,727	10	29,711
Items associated with particularly high risk	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0
Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
Collective investments undertakings	19,901	4,249	0	0	0	24,150
Equity exposures	0	0	0	0	1,770	1,770
Other exposures	2,588,557	999,640	219,861	17,823	492,241	4,318,122
<b>Total standardized approach</b>	<b>4,013,297</b>	<b>3,177,888</b>	<b>5,483,415</b>	<b>2,383,643</b>	<b>497,275</b>	<b>15,555,518</b>
<b>Total</b>	<b>6,551,288</b>	<b>7,189,470</b>	<b>17,253,017</b>	<b>12,251,167</b>	<b>609,434</b>	<b>43,854,376</b>



Bank Article 442 (f) CRB-E Thousand RON	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Central governments or central banks	2,520,053	247,948	1,629,963	423,344	0	4,821,308
Institutions	17,938	289,968	25,220	0	34,119	367,245
Corporates	0	3,181,284	2,854,420	1,850,770	8,781	7,895,255
Retail	0	793,127	7,259,999	7,593,410	7,461	15,653,997
Equity	0	0	0	0	159,854	159,854
<b>Total IRB approach</b>	<b>2,537,991</b>	<b>4,512,327</b>	<b>11,769,602</b>	<b>9,867,524</b>	<b>210,215</b>	<b>28,897,659</b>
Central governments or central banks	1,400,696	792,769	2,441,676	988,518	0	5,623,659
Regional governments or local authorities	0	54,502	5,721	881,811	6	942,040
Public sector entities	0	0	0	46,925	0	46,925
Multilateral development banks	0	21,314	42,675	0	0	63,989
International organizations	0	0	0	0	0	0
Institutions	0	0	0	0	0	0
Corporates	0	1,000,557	1,678,522	270,073	4	2,949,156
Retail	0	10,592	39,118	11,807	0	61,517
Secured by mortgages on immovable property	0	1,712	4,341	15,797	0	21,850
Exposures in default	0	451	302	1,134	10	1,897
Items associated with particularly high risk	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0
Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
Collective investments undertakings	0	0	0	0	0	0
Equity exposures	0	0	0	0	0	0
Other exposures	2,588,548	947,058	219,861	17,823	496,738	4,270,028
<b>Total standardized approach</b>	<b>3,989,244</b>	<b>2,828,955</b>	<b>4,432,216</b>	<b>2,233,888</b>	<b>496,758</b>	<b>13,981,061</b>
<b>Total</b>	<b>6,527,235</b>	<b>7,341,282</b>	<b>16,201,818</b>	<b>12,101,412</b>	<b>706,973</b>	<b>42,878,720</b>

The table below shows the credit quality of on-balance sheet and off-balance sheet exposures depending on the sector of activity or the types of counterparties (net values):

Table 16.

Group Article 442 (g) EU CR1-BG(a)	Gross carrying amount		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a +b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks	0	4,821,375	0	0	0	0	4,821,375
Institutions	0	2,099,467	16	0	0	25	2,099,451
Corporates	467,888	12,449,425	288,821	0	171,772	-66,798	12,628,492
Of which: Specialized lending	60,152	2,186,077	49,451	0	29,872	-5,661	2,196,778
Of which: SMEs	216,850	6,274,912	107,912	0	97,199	-43,562	6,383,850
Retail	793,078	18,737,587	771,267	0	350,412	-191,058	18,759,398
Secured by real estate property	372,141	6,986,448	301,608	0	0	53,161	7,056,981
SMEs	0	0	0	0	0	0	0
Non-SMEs	372,141	6,986,448	301,608	0	0	53,161	7,056,981
Qualifying revolving	40,031	4,292,259	49,144	0	0	-22,680	4,283,146
Other retail	380,906	7,458,880	420,515	0	350,412	-221,539	7,419,271
SMEs	69,345	1,274,278	62,081	0	0	-10,354	1,281,542
Non-SMEs	311,561	6,184,603	358,434	0	0	-211,185	6,137,730
Equity	-	61,798	0	0	0	0	61,798
<b>Total IRB approach</b>	<b>1,260,966</b>	<b>38,169,653</b>	<b>1,060,104</b>	<b>0</b>	<b>522,184</b>	<b>-257,831</b>	<b>38,370,514</b>
Central governments or central banks	0	5,928,990	11	0	0	0	5,928,979
Regional governments or local authorities	0	1,070,939	7,556	0	0	-6,782	1,063,383
Public sector entities	0	46,964	39	0	0	10	46,925
Multilateral development banks	0	63,989	0	0	0	0	63,989
Institutions	0	36,532	0	0	0	0	36,532
Corporates	219	6,134,434	8,682	0	0	-3,185	6,125,971
Of which: SMEs	0	434,414	1,498	0	0	-40	432,916
Retail	76	529,039	4,546	0	0	-432	524,569
Of which: SMEs	76	490,697	3,987	0	0	-581	486,786
Secured by mortgages on immovable property	0	56,783	538	0	0	-19	56,245

Group Article 442 (g) EU CR1-BG(a)	Gross carrying amount		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a +b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Of which: SMEs	0	20,093	294	0	0	-154	19,799
Exposures in default	62,233	0	31,697	0	1,841	-763	30,536
Collective investments undertakings	0	24,149	0	0	0	0	24,149
Equity exposures	0	1,770	0	0	0	0	1,770
Other exposures	0	4,348,148	12,695	0	214,970	74,561	4,335,453
<b>Total standardized approach</b>	<b>62,528</b>	<b>18,241,737</b>	<b>65,764</b>	<b>0</b>	<b>216,811</b>	<b>63,390</b>	<b>18,238,501</b>
<b>Total</b>	<b>1,323,494</b>	<b>56,411,390</b>	<b>1,125,868</b>	<b>0</b>	<b>738,995</b>	<b>-194,441</b>	<b>56,609,015</b>
of which: Loans	1,132,273	27,711,947	1,049,452	0	737,154	-194,441	27,794,768
of which: Debt securities	0	7,742,222	56	0	0	0	7,742,166
of which: Off-balance exposures	173,967	12,656,540	76,372	0	0	-73,161	12,754,135

Bank Article 442 (g) EU CR1-BG(a)	Gross carrying amount		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values Defaulted exposures
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks	0	4,821,375	0	0	0	0	4,821,375
Institutions	0	2,099,467	16	0	0	25	2,099,451
Corporates	467,888	12,950,171	288,821	0	171,772	-66,798	13,129,238
Of which: Specialized lending	60,152	2,186,077	49,451	0	29,872	-5,661	2,196,778
Of which: SMEs	216,850	6,274,912	107,912	0	97,199	-43,562	6,383,850
Retail	793,078	18,737,587	771,267	0	350,412	-204,094	18,759,398
Secured by real estate property	372,141	6,986,448	301,608	0	0	53,161	7,056,981
SMEs	0	0	0	0	0	0	0
Non-SMEs	372,141	6,986,448	301,608	0	0	53,161	7,056,981
Qualifying revolving	40,031	4,292,259	49,144	0	0	-22,680	4,283,146
Other retail	380,906	7,458,880	420,515	0	350,412	-221,539	7,419,271
SMEs	69,345	1,274,278	62,081	0	0	-10,354	1,281,542
Non-SMEs	311,561	6,184,603	358,434	0	0	-211,185	6,137,730
Equity	0	159,854	0	0	0	0	159,854
<b>Total IRB approach</b>	<b>1,260,966</b>	<b>38,768,454</b>	<b>1,060,104</b>	<b>0</b>	<b>522,184</b>	<b>-270,867</b>	<b>38,969,316</b>
Central governments or central banks	0	5,623,659	0	0	0	0	5,623,659

Bank Article 442 (g) EU CR1-BG(a)	Gross carrying amount		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					Defaulted exposures
Regional governments or local authorities	0	1,024,732	7,511	0	0	-6,782	1,017,221
Public sector entities	0	46,964	39	0	0	10	46,925
Multilateral development banks	0	63,989	0	0	0	0	63,989
Corporates	0	5,463,621	6,547	0	0	-3,185	5,457,074
Of which: SMEs	0	18,002	73	0	0	-40	17,929
Retail	0	71,196	1,251	0	0	-432	69,945
Of which: SMEs	0	68,606	1,061	0	0	-581	67,545
Secured by mortgages on immovable property	0	22,653	394	0	0	-19	22,259
Of which: SMEs	0	20,093	294	0	0	-154	19,799
Collective investments undertakings	4,957	0	3,060	0	0	-763	1,897
Equity exposures	0	0	0	0	0	0	0
Other exposures	0	4,296,060	12,700	0	214,970	94,998	4,283,360
<b>Total standardized approach</b>	<b>4,957</b>	<b>16,612,874</b>	<b>31,502</b>	<b>0</b>	<b>214,970</b>	<b>83,827</b>	<b>16,586,329</b>
<b>Total</b>	<b>1,265,923</b>	<b>55,381,328</b>	<b>1,091,606</b>	<b>0</b>	<b>737,154</b>	<b>-187,040</b>	<b>55,555,645</b>
of which: Loans	1,074,702	27,102,956	1,015,242	0	737,154	-187,040	27,162,416
of which: Debt securities	0	7,397,503	0	0	0	0	7,397,503
of which: Off-balance exposures	173,967	12,580,094	76,372	0	0	-73,161	12,677,689

The table below shows the credit quality on-balance off-balance exposures depending on the sector of activity or the types of counterparties:

**Table 17.**

Group Article 442 (g) EU CR1-B	Gross carrying amount		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values Defaulted exposures
	Defaulted exposures	Non-defaulted exposures					
Manufacturing	19,094	1,317,026	11,967	0	7,282	-3,220	1,324,153
Electricity, gas, steam and air conditioning supply	1,080	321,217	1,196	0	2,192	754	321,101
Water supply	138,831	3,669,619	61,319	0	65,245	-19,243	3,747,131
Construction	11,313	768,055	6,404	0	30,266	2,372	772,964
Wholesale and retail trade	1,608	149,256	3,632	0	440	-1,796	147,232
Transport and storage	143,475	2,177,384	75,422	0	38,771	-23,591	2,245,437
Accommodation and food service activities	116,284	5,897,679	103,870	0	52,748	-16,307	5,910,093
Information and communication	39,117	1,742,566	26,525	0	10,429	-3,480	1,755,158
Real estate activities	2,643	493,646	4,518	0	3,347	-1,174	491,771
Professional, scientific and technical activities	42,199	511,938	40,361	0	1,318	-6,168	513,776
Administrative and support service activities	64,085	1,504,817	40,412	0	30,256	-1,175	1,528,490
Public administration and defence, compulsory social security	5,247	525,660	5,395	0	5,308	-71	525,512
Education	3,847	323,746	3,346	0	682	-1,151	324,247
Human health services and social work activities	0	8,344,565	7,585	0	0	-6,781	8,336,980
Arts, entertainment and recreation	72	55,185	252	0	0	-16	55,005
Other services	3,707	439,380	5,365	0	918	-467	437,722
Total	2,356	29,610	950	0	8,172	-125	31,016
Manufacturing	728,536	28,140,041	727,349	0	481,621	-112,802	28,141,227
Electricity, gas, steam and air conditioning supply	1,323,494	56,411,390	1,125,868	0	738,995	-194,441	56,609,015

Bank Article 442 (g) EU CR1-B	Gross carrying amount		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Agriculture, forestry and fishing	16,246	1,260,619	10,841	0	7,282	-3,220	1,266,024
Mining and quarrying	668	314,360	767	0	2,192	754	314,261
Manufacturing	131,588	3,530,184	55,266	0	65,245	-19,243	3,606,506
Electricity, gas, steam and air conditioning supply	11,313	768,055	6,404	0	30,266	2,372	772,964
Water supply	1,311	118,551	3,518	0	440	-1,796	116,344
Construction	139,565	2,086,090	73,345	0	38,771	-23,591	2,152,310
Wholesale and retail trade	110,570	5,648,815	99,964	0	52,748	-16,307	5,659,421
Transport and storage	14,653	1,387,750	14,530	0	10,429	-3,480	1,387,873
Accommodation and food service activities	2,117	453,646	4,349	0	3,347	-1,174	451,414
Information and communication	40,917	497,370	39,130	0	1,318	-6,168	499,157
Real estate activities	57,694	1,435,895	37,277	0	28,415	-1,175	1,456,312
Professional, scientific and technical activities	4,281	482,184	4,959	0	5,308	-71	481,506
Administrative and support service activities	3,483	300,716	3,173	0	682	-1,151	301,026
Public administration and defence, compulsory social security	0	7,992,306	7,528	0	0	-6,781	7,984,778
Education	61	53,988	244	0	0	-16	53,805
Human health services and social work activities	600	413,093	2,130	0	918	-467	411,563
Arts, entertainment and recreation	2,349	24,242	905	0	8,172	-125	25,686
Other services	728,507	28,613,464	727,276	0	481,621	-105,401	28,614,695
<b>Total</b>	<b>1,265,923</b>	<b>55,381,328</b>	<b>1,091,606</b>	<b>0</b>	<b>737,154</b>	<b>-187,040</b>	<b>55,555,645</b>

The table below shows the credit quality of on-balance and off-balance sheet exposures according to geographical distribution (net values):

**Table 18.**

Group Article 442 (g) EU CR1-C	Gross carrying amount		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+ b -c-d)
	Defaulted exposures	Non-defaulted exposures					
Bucharest-Ilfov	405,802	21,615,480	341,967	0	140,159	-83,543	21,679,315
Center	96,538	3,757,116	97,283	0	87,235	-19,507	3,756,371
North-East	81,132	2,770,453	78,011	0	31,693	-13,492	2,773,574
North-West	178,885	3,219,080	123,852	0	33,650	-25,688	3,274,113
Other countries	5,553	9,945,735	15,362	0	217,753	83,115	9,935,926
Other areas	1,489	63,989	1,489	0	0	-1,483	63,989
South-Muntenia	276,012	4,558,049	204,990	0	93,433	-71,214	4,629,071
South -East	103,608	4,695,654	97,668	0	41,728	-21,290	4,701,594
South -West Oltenia	76,793	2,428,408	73,021	0	29,204	-19,761	2,432,180
West	97,682	3,357,425	92,225	0	64,140	-21,578	3,362,882
<b>Total</b>	<b>1,323,494</b>	<b>56,411,390</b>	<b>1,125,868</b>	<b>0</b>	<b>738,995</b>	<b>-194,441</b>	<b>56,609,015</b>

Bank Article 442 (g) EU CR1-C	Gross carrying amount		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+ b -c-d)
	Defaulted exposures	Non-defaulted exposures					
Bucharest-Ilfov	396,114	21,388,387	336,220	0	139,389	-76,142	21,448,281
Center	89,952	3,626,563	92,269	0	87,154	-19,507	3,624,246
North-East	72,167	2,668,432	72,925	0	31,184	-13,492	2,667,674
North-West	170,051	3,096,762	118,744	0	33,613	-25,688	3,148,069
Other countries	2,643	9,938,505	15,003	0	217,753	83,115	9,926,145
Other areas	1,489	63,989	1,489	0	0	-1,483	63,989
South-Muntenia	265,828	4,335,291	197,537	0	93,140	-71,214	4,403,582
South -East	99,429	4,594,391	95,164	0	41,657	-21,290	4,598,656
South -West Oltenia	74,055	2,381,914	71,792	0	29,161	-19,761	2,384,177
West	94,195	3,287,095	90,463	0	64,103	-21,578	3,290,827
<b>Total</b>	<b>1,265,923</b>	<b>55,381,328</b>	<b>1,091,606</b>	<b>0</b>	<b>737,154</b>	<b>-187,040</b>	<b>55,555,645</b>

The table below shows the analysis regarding the aging related to the recording in accounting of the outstanding balance sheet exposures, regardless of their depreciation status (gross carrying amounts)

**Table 19.**

**Group**

Gross carrying amount						
Article 442 (g) EU CR1-D	≤ 30 days	> 30 zile ≤ 60 zile	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	1,691,625	165,355	88,508	115,934	114,906	371,190
Debt securities	0	0	0	0	0	0
Total exposures	1,691,625	165,355	88,508	115,934	114,906	371,190

**Bank**

Gross carrying amount						
Article 442 (g) EU CR1-D	≤ 30 days	> 30 zile ≤ 60 zile	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	1,609,344	164,452	83,696	106,182	107,875	348,455
Debt securities	0	0	0	0	0	0
Total exposures	1,609,344	164,452	83,696	106,182	107,875	348,455



The table below shows the non-performing and restructured exposures (gross book amounts) in accordance with Commission (EU) Implementing Regulation No 680/2014:

Table 20.

Group

Article 442 (g) EU CR1-E	Gross carrying amount performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due > 30 days and ≤ 90 days	Of which performing forborne	Of which non-performing			On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures	
					Of which defaulted	Of which impaired	Of which impaired		Of which forborne				Of which forborne
Debt securities	7,355,940	0	0	0	0	0	0	-5,002	0	0	0	0	0
Loans and advances	33,314,513	131,581	211,279	1,245,914	1,242,941	1,207,816	473,593	-314,710	-7,651	-833,573	-313,582	255,241	274,095
Off-balance-sheet exposures	12,842,708	0	467	174,002	173,177	0	16,952	23,236	6	54,179	7,584	17,113	309

Bank

Article 442 (g) EU CR1-E	Gross carrying amount performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due > 30 days and ≤ 90 days	Of which performing forborne	Of which non-performing				Of which performing but past due > 30 days and ≤ 90 days		Of which performing forborne		On non-performing exposures	Of which forborne exposures
				Of which defaulted	Of which impaired	Of which impaired		Of which forborne		Of which forborne			
Debt securities	7,005,546	0	0	0	0	0	0	-4,943	0	0	0	0	0
Loans and advances	32,568,549	128,822	209,386	1,113,588	1,112,882	1,071,477	420,120	-304,861	-7,348	-730,615	-263,176	227,511	266,920
Off-balance-sheet exposures	12,764,993	0	467	173,177	173,177	0	16,952	23,024	6	54,072	7,584	17,113	309

The table below shows changes in depreciation adjustments:  
**Table 21.**

**Group**

Article 442 (i) CRR Thousand RON	December 31, 2019
<b>Opening balance</b>	<b>1,003,708</b>
Increases due to amounts set aside for estimated loan losses during the period	923,090
Decreases due to amounts reversed for estimated loan losses during the period	-656,876
Decreases due to amounts taken against accumulated credit risk adjustments	-133,727
Transfers between credit risk adjustments	0
Impact of exchange rate differences	12,273
Business combinations, including acquisitions and disposals of subsidiaries	2,114
Other adjustments	-23,036
<b>Closing balance</b>	<b>1,127,546</b>
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-91,407
Specific credit risk adjustments directly recorded to the statement of profit or loss	61,198

**Bank**

Article 442 (i) CRR Thousand RON	December 31, 2019
<b>Opening balance</b>	<b>972,502</b>
Increases due to amounts set aside for estimated loan losses during the period	915,423
Decreases due to amounts reversed for estimated loan losses during the period	-655,248
Decreases due to amounts taken against accumulated credit risk adjustments	-128,233
Transfers between credit risk adjustments	0
Impact of exchange rate differences	11,871
Business combinations, including acquisitions and disposals of subsidiaries	0
Other adjustments	-23,036
<b>Closing balance</b>	<b>1,093,279</b>
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-91,586
Specific credit risk adjustments directly recorded to the statement of profit or loss	56,520

The following table shows changes in the stock of non-performing loans and debt securities:  
**Table 22.**

**Group**

Article 442 (i) CRR Thousand RON	Gross carrying value defaulted exposures December 31, 2019
<b>Opening balance</b>	<b>1,182,829</b>
Loans and debt securities that have become defaulted or impaired since the last reporting period	577,276
Returned to non-defaulted status	-205,694
Amounts written off	-291,383
Other changes	-113,705
<b>Closing balance</b>	<b>1,149,323</b>

**Bank**

Article 442 (i) CRR Thousand RON	Gross carrying value defaulted exposures December 31, 2019
<b>Opening balance</b>	<b>1,147,078</b>
Loans and debt securities that have become defaulted or impaired since the last reporting period	543,455
Returned to non-defaulted status	-203,241
Amounts written off	-285,817
Other changes	-108,960
<b>Closing balance</b>	<b>1,092,515</b>

### 13. Article 443 CRR Unencumbered assets

The main object of activity of the Bank consists of banking services for individuals and legal entities. The services offered include: current account openings, domestic and international payments, foreign exchange operations, granting financing for operational needs, medium-term financing, bank guarantees, letters of credit.

The main source of encumbered assets comes from pledged debt securities followed by collateral deposits. The largest volume of unencumbered assets comes from loans and advances granted to customers followed by cash and Central Bank deposits and debt securities.

**Table 23.**

Group Thousand RON	Carrying amount of encumbered assets	Fair value of encumbered assets	Fair value of encumbered assets	Fair value of encumbered assets
Assets of the reporting institution	143,290		43,711,086	
Equity instruments	0	0	81,802	81,802
Debt securities	111,773	111,927	7,632,626	7,740,992
Other assets	31,517		35,996,658	

Group Thousand RON	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	0	0
Equity instruments	0	0
Debt securities	0	0
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABS	0	0

Group Thousand RON	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered
Carrying amount of selected financial liabilities	7,073	29,755

Bank Thousand RON	Carrying amount of encumbered assets	Fair value of encumbered assets	Fair value of encumbered assets	Fair value of encumbered assets
Assets of the reporting institution	138,998		42,739,722	
Equity instruments	0	0	61,902	61,902
Debt securities	107530	107530	7,286,533	7,368,655
Other assets	31468		35,391,287	

Bank Thousand RON	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	0	0
Equity instruments	0	0
Debt securities	0	0
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABS	0	0

Bank Thousand RON	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered
Carrying amount of selected financial liabilities	7,073	29,755

## 14. Article 444 CRR Use of ECAs (External Credit Assessment Institution)

RBI Group utilises the external sovereign ratings from Standard and Poor's, Moody's and Fitch Ratings for the calculation under the standardised approach. For all other exposure classes, if available, the ratings of Standard and Poor's are applied.

The external ratings applied are mapped to the credit quality steps (rating notches) defined in the standardised approach for credit risk in accordance with standard mapping pursuant to CRR.

**Table 24.**

Eligible ECAs	Credit quality step	Standard and Poor's	Moody's	Fitch
Long term credit rating	1	AAA to AA-	Aaa to Aa3	AAA to AA-
	2	A+ to A-	A1 to A3	A+ to A-
	3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
	4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
	5	B+ to B-	B1 to B3	B+ to B-
	6	CCC+ and below	Caa1 and below	CCC+ and below
Short term credit rating	1	A-1+, A-1	P-1	F1+, F1
	2	A-2	P-2	F2
	3	A-3	P-3	F3
	4	All short-term ratings below A-3	NP	Below F3
	5			
	6			

Rating notch	ECAI Rating		
	Standard & Poor's	Moody's	Fitch
1	AAA	Aaa	AAA
1	AA+	Aa1	AA+
1	AA	Aa2	AA
1	AA-	Aa3	AA-
1	A+	A1	A+
2	A	A2	A
2	A-	A3	A-
2	BBB+	Baa1	BBB+
3	BBB	Baa2	BBB
3	BBB-	Baa3	BBB-
3	BB+	Ba1	BB+
4	BB	Ba2	BB
4	BB-	Ba3	BB-
4	B+	B1	B+
5	B	B2	B
5	B-	B3	B-
5	CCC+	Caa1	CCC
6	CCC	Caa2	CC
6	CCC-	Caa3	CC
6	CC	Ca	C
6	C	Ca	C
6	D	C	D
7	NR	NR	NR

### A. Exposure break down

As of 31 December 2019, the total exposure value and the exposure value after applying the credit risk mitigation techniques for capital requirements under Standardized approach, break down as follows:

Table 25.

Bank - In RON thousand	Exposure value*	Exposure after Credit Risk Mitigations are applied	Capital requirements
Standardised approach (SA)	15,225,363	16,454,384	256,871
Central governments or central banks	5,608,425	6,543,044	-
Regional governments or local authorities	1,027,466	1,028,953	14,981
Public sector entities	46,925	46,925	3,754
Multilateral Development Banks	63,989	401,511	-
International Organisations	-	-	-
Institutions	581,398	581,398	-
Corporates, of which having an ECAI evaluation:	4,258,854	4,214,246	160,554



Bank - In RON thousand	Exposure value*	Exposure after Credit Risk Mitigations are applied	Capital requirements
Credit quality level 5	23,871	23,871	2,864
Retail	88,823	88,823	4,061
Secured by mortgages on immovable property	22,078	22,078	583
Exposures in default	1,897	1,897	152
Items associated with particular high risk	-	-	-
Covered bonds	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-
Collective investments undertakings (CIU)	-	-	-
Equity	-	-	-
Other items	3,525,509	3,525,509	67,950

\* Net exposure (gross exposures decreased with value adjustments & provisions), determined based on prudential requirements - local standards (stop accruals are not applied).

Group - In RON thousand	Exposure value*	Exposure after Credit Risk Mitigations are applied	Capital requirements
Standardised approach (SA)	16,348,878	17,577,899	333,940
Central governments or central banks	5,915,950	-	-
Regional governments or local authorities	1,073,627	196,495	15,720
Public sector entities	46,925	46,925	3,754
Multilateral Development Banks	63,989	-	-
International Organisations	-	-	-
Institutions	18,401	4,239	339
Corporates, of which having an ECAI evaluation:	4,907,181	2,548,245	203,860
Credit quality level 5	23,871	35,806	2,864
Retail	541,794	306,641	24,531
Secured by mortgages on immovable property	79,447	41,823	3,346
Exposures in default	31,773	36,858	2,949
Items associated with particular high risk	-	-	-
Covered bonds	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-
Collective investments undertakings (CIU)	19,901	19,901	1,592
Equity	1	1	0
Other items	3,649,891	973,127	77,850

\* Net exposure (gross exposures decreased with value adjustments & provisions), determined based on prudential requirements - local standards (stop accruals are not applied).

As of 31 December 2019, the Standardised approach – Credit risk exposure before and after CRM effects and RWA density in order to provides a synthetic metric on the riskiness of each portfolio, were as follows:

**Table 26.**

Bank - In RON thousand	Exposures before CCF* and CRM**		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
Exposure classes in STD	12,616,566	2,603,547	13,786,189	298,555	3,210,889	23%
Central governments or central banks	5,608,425	-	6,543,044	-	-	0%
Regional government or local authorities	950,501	76,964	898,491	37,821	187,262	20%
Public sector entities	46,925	-	46,925	-	46,925	100%
Multilateral development banks	63,989	-	389,326	9,138	-	0%
International organisations	-	-	-	-	60,460	0%
Institutions	495,381	86,017	495,381	43,008	2,006,920	101%
Corporates	1,822,341	2,431,262	1,785,060	204,675	-	0%
Retail	79,889	8,933	79,544	3,858	50,763	61%
Secured by mortgages on immovable property	21,708	370	21,012	55	7,281	35%
Exposures in default	1,897	-	1,897	-	1,902	100%
Exposures associated with particularly high risk	-	-	-	-	-	0%
Covered bonds	-	-	-	-	-	0%
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
Collective investment undertakings	-	-	-	-	-	0%
Equity	-	-	-	-	-	0%
Other items	3,525,509	-	3,525,509	-	849,376	24%

\*CCF- credit conversion factor

\*\* CRM-credit risk mitigation techniques, recognized for capital calculation

Group- In RON thousand	Exposures before CCF* and CRM**		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount
Exposure classes in STD	13,748,701	2,594,927	14,918,324	296,245	4,174,254	27%
Central governments or central banks	5,911,950	4,000	6,846,568	4,000	-	0%
Regional government or local authorities	996,663	76,964	944,653	37,821	196,495	20%
Public sector entities	46,925	-	46,925	-	46,925	100%
Multilateral development banks	63,989	-	389,326	9,138	-	0%
International organisations	-	-	-	-	4,239	0%
Institutions	18,401	-	21,179	43,008	2,548,245	98%
Corporates	2,413,001	2,488,930	2,375,719	233,508	-	0%
Retail	-	-	-	-	-	0%
Secured by mortgages on immovable property	517,682	24,112	510,767	11,447	306,641	59%
Exposures in default	79,077	370	78,381	55	41,823	53%
Exposures associated with particularly high risk	31,222	550	28,351	275	36,858	129%
Covered bonds	-	-	-	-	-	0%
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
Collective investment undertakings	-	-	-	-	-	0%
Equity	19,901	-	19,901	-	19,901	0%
Other items	1	-	1	-	1	100%

The table below shows the CCR exposures post conversion factor and post risk mitigation techniques by type of counterparties and by risk weight

**Table 27.**

Bank - In RON thousand	Risk weight						Total	Out of which, unrated
	0%	20%	35%	75%	100%	150%		
Exposure classes in STD	9,530,037	1,045,817	16,847	86,921	2,848,103	23,880	13,551,605	13,503,864
Central governments or central banks	6,543,044	-	-	-	-	-	6,543,044	6,543,044
Regional government or local authorities	-	936,312	-	-	-	-	936,312	936,312
Public sector entities	-	0	-	-	46,925	-	46,925	46,925
Multilateral development banks	398,464	-	-	-	-	-	398,464	398,464
International organisations	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	1,971,114	23,871	1,994,985	1,947,244
Retail	-	-	-	83,401	-	-	83,401	83,401
Secured by mortgages on immovable property	-	-	16,847	3,519	701	-	21,067	21,067
Exposures in default	-	-	-	-	1,887	10	1,897	1,897
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-
Other items	2,588,529	109,505	-	-	827,475	-	3,525,509	3,525,509

*\*Risk weights 2%, 4%, 10%, 50%, 70%, 250%, 370%, 1250%, are not presented since the bank do not have exposures on those values.*

Bank - In RON thousand	Risk weight *						Total	Out of which, unrated
	0%	20%	35%	75%	100%	150%		
Exposure classes in STD	9,844,855	1,113,148	50,385	525,733	3,645,356	40,333	15,219,820	15,172,079
Central governments or central banks	6,850,568	-	-	-	-	-	6,850,568	6,850,568
Regional government or local authorities	-	982,474	-	-	-	-	982,474	982,474
Public sector entities	-	0	-	-	46,925	-	46,925	46,925
Multilateral development banks	398,464	-	-	-	-	-	398,464	398,464
International organisations	-	-	-	-	-	-	-	-
Institutions	-	21,169	-	-	0	-	21,179	21,179
Corporates	-	-	-	-	2,590,607	23,871	2,614,478	2,566,737
Retail	-	-	-	522,214	-	-	522,214	522,214
Secured by mortgages on immovable property	-	-	50,385	3,519	24,532	-	78,436	78,436
Exposures in default	-	-	-	-	12,164	16,463	28,626	28,626
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	19,901	-	19,901	19,901
Equity	-	-	-	-	1	-	1	1
Other items	2,595,822	109,505	-	-	951,226	-	3,656,553	3,656,553

\* Risk weights 2%,4%,10%,50%,70%,250%, 370%,1250%, are not presented since the bank do not have exposures on those values..

## 15. Article 445 CRR Market Risk Exposure

Raiffeisen Bank S.A. calculates the capital requirement for market risk using the standard methodology described in CRR.

The capital requirement for market risk as of December 31, 2019, respectively December 31, 2018 is the following:

Table 28.

RON ths	31-Dec-19	31-Dec-18
Equity requirements for general position risk related to traded debt instruments	12.339	8.375
Equity requirements for specific position risk related to traded debt instruments	320	2
Equity requirements for currency risk	11.594	33.171
<b>Total own funds requirements for market risk</b>	<b>24.253</b>	<b>41.548</b>

## 16. Article 446 CRR Operational Risk

Within Raiffeisen Bank, the level of the capital requirements adequate to the operational risk profile is calculated for internal purposes through **Advance Measurement Approach** and for prudential scopes, at local level, it is used the **Standard Measurement Approach**.

At RBI Group's level, the level of the capital requirements adequate to the operational risk profile is calculated for both internal and prudential purposes using the **Advanced Measurement Approach**, Raiffeisen Bank being part of the entities for which this calculation method is applied.

The RBI Group received European Central Bank (ECB) approval at the end of 2016.

## 17. Article 447 CRR Equity exposures not included in the trading book

### *A. General presentation of accounting methods and valuation methods*

As of January 1, 2018, the Bank has changed its accounting policy and accounts for its participations in joint ventures at acquisition cost, in accordance with IAS 27 "Separate Financial Statements" paragraph 10a).

Prior to January 1, 2018, the Bank applied paragraph 10b) of IAS 27, according to which participations in joint ventures were accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". However, the valuation was performed at acquisition cost at the

balance sheet date because they represent equity instruments for which there is no active market for an identical instrument and their fair value cannot be reliably determined.

As of January 1, 2018, the category “Available-for-sale securities” becomes “Debt securities measured at fair value through other comprehensive income” and “Equity instruments measured at fair value through other comprehensive income”. For their category, the Bank remeasured the equity instruments, other than investments in subsidiaries, joint ventures and associated entities, from cost to fair value.

IFRS 9 excludes the exception of valuing unlisted equity instruments when fair value cannot be determined reliably. Upon initial recognition, the Bank made an irrevocable choice to present equity instruments, other than investments in subsidiaries, joint ventures and associates, as equity instruments at fair value through other comprehensive income without recycling gains or losses to profit or loss on derecognition.

Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment.

**Table 29 – Equity exposures**

**Bank**

Article 447 (b)- (c) Thousand RON	Carrying amount	Fair Value	Market value
Equity instruments	49,228	49,228	49,228
Unlisted equity securities - at cost	0	0	0
Listed equity securities	49,228	49,228	49,228
Investment in associates and joint ventures	97,953	97,953	0
Not listed	97,953	97,953	0

**Bank**

Article 447 (d) Thousand RON	2019
Net realised gains/(losses) on equity instruments	0

**Bank**

Article 447 (e) Thousand RON	2019
Net realised gains/(losses) on equity instruments	40,277
Hereof included in Tier 1 capital	40,277

## 18. Article 448 CRR Interest rate risk exposures for activities outside the trading book

The bank's objective in terms of managing market risk is to control the bank's exposure to this type of risk, by setting limits. These market risk limits are detailed in the "Market Risk Policy", which presents the main types of market risks to which the bank is exposed (exchange rate risk and interest rate risk), as well as the structure and value of the market limits. The bank has the following types of market risk limits:

- Sensitivity limits (basis point value) on total and on different interest rate bands (for interest rate risk);
- Stop-loss limits for interest rate risk and currency risk and warning thresholds for interest rate risk;
- Limits for the maximum open foreign exchange position by currencies and total (for foreign exchange risk);
- Limits for Value at Risk (considering interest rate risk, currency risk, credit spread risk).

The market risk control function is provided by a dedicated department within the Risk Control and Portfolio Management Group Department, in accordance with the Bank's Organization and Functioning Regulations. The scope of the market risk management process refers to all market risks to which the bank registers exposures, at individual and consolidated level. The monitoring of the market risks to which the bank is exposed is performed daily or weekly, and the exposures to this risk are reported to the bank's management (daily) and to the Assets and Liabilities Committee (monthly).

The main risk to which activities outside the trading book are exposed is the risk of loss as a result of changes in future cash flows or the market value of financial instruments caused by fluctuations in interest rates.

The main sources of interest rate risk from activities outside the trading book are the imperfect correlations between the maturity date (for fixed interest rate assets and liabilities) or the interest rate fixation date (for assets and liabilities variable interest rates), the adverse evolution of the interest curve (non-parallel evolution of interest rates on interest-bearing assets and liabilities) and the imperfect correlation in adjusting receivables and payables for different financial instruments with similar interest rate fixing characteristics but not identical.

The main currencies for which the Bank holds open positions at interest rate risk are RON, EUR, USD and CHF. There are open positions in other currencies besides the main ones but of very small dimensions.

At the Bank's level, the management of interest rate risk from activities outside the trading book (except for the portfolio of securities outside the trading book that are not part of the liquidity portfolio) is performed by the Balance Sheet and Portfolio Management Department within the Treasury Division. Strategy Raiffeisen Bank SA in the field of interest rate risk management from activities outside the



trading book approved by the Assets and Liabilities Committee (ALCO) and within the system of approved market risk limits.

Interest rate risk can be hedged through balance sheet instruments or derivative financial instruments. Derivative financial instruments used by the Bank to reduce interest rate risk include interest rate swaps whose value changes according to changes in interest rates.

To measure interest rate risk, the bank calculates an interest rate gap, in which cash flows related to interest rate-sensitive assets and liabilities are grouped according to the contractual maturity or the contractual interest rate. Items without contractual maturity and without contractual rules for fixing interest, such as current accounts and savings accounts, are modeled and distributed on maturity bands.

The interest rate gap ratio for activities outside the trading book is performed on a weekly basis. The reporting on the exposure to interest rate risk is performed on a monthly basis in ALCO.

Below is the change in the economic value of the balance sheet (includes both the activities in the trading book and those outside it) as of December 31, 2019 as a result of shocks of 200bp for the entire yield curve broken down by currencies (assuming no asymmetric movements in the interest curve and a constant balance position):

**Table 30.**

RON ths	31 December 2019		31 December 2018	
	200 bp	200 bp	200 bp	200 bp
	Increase	Decrease	Increase	Decrease
RON	160.131	190.984	55.741	71.425
EUR	101.005	107.103	107.520	110.882
USD	14.405	15.598	9.705	10.445
CHF	4.188	4.784	6.887	7.673
<b>Total</b>	<b>279.729</b>	<b>318.569</b>	<b>179.852</b>	<b>200.426</b>

## 19. Article 449 CRR Exposure to securitization positions

Banks securitization position is represented by a synthetic securitization and it's originated due to bank participation in JEREMIE initiative.

JEREMIE initiative represents a set of action having the goal to increase the medium- and small-enterprises (SME) acces to financing funds. This initiative is organized in Romania through **European Investment Fund (EIF)**, which is part of European Investment Bank and represents the main instrument for promoting European Commission financing (Structural Funds - Increase of Economical Competitivity). EIF offer risk capital for SME and guarantee for financial institution to cover the loans granted to SME (up to 80% of the loan).

### The goals which the bank pursues with respect to its securitization activities

In December 2010, Raiffeisen Bank concluded a synthetic securitization transaction under the JEREMIE initiative, through which the European Investment Fund (EIF) offers credit risk protection for a portfolio of loans granted by the bank to medium- and small-enterprises (SME). The financial instrument used in this transaction is a first loss portfolio guarantee. By joining this program, the bank's objective is to improve the utilization of capital, the benefit being passed to the end-customer, in the form of a lower price of loan and diminished collateral requirements.

### Raiffeisen Bank as originator

Under JEREMIE program, by contract, EIF guarantees 80% of each eligible loan included in the portfolio, covering losses up to a maximum cap of 25% of the total portfolio volume. At the end of 2019, the volume of loans portfolio included in securitization at 19,701 mii Ron, covered entirely by EIF guaranty (2018: 33,189 mii Ron), as follows:

Table 31.

Bank & Group - In RON thousand					
Total amount of securitisation exposures originated	Credit protection to the securitised exposures	Securitisation positions: original exposure			Risk-weighted exposure amount
		Total, of which:	Deducted from own funds	Subject to risk weights	
10,790	(10,790)	0	-	0	0

*\*Based on SUPERVISORY FORMULA METHOD*

In December 2014, this program was closed.

### The roles of the bank in the securitization process

Raiffeisen Bank does not invest in securitization/ re-securitization positions.

## 20. Article 450 and Article 435 (2) (b) CRR Remuneration and recruitment practices

The remuneration system of Raiffeisen Bank S.A. is in accordance with and promotes a correct and efficient risk management and does not encourage the taking of risks that exceed the tolerated levels. It is in line with the business strategy, objectives, values and long-term interests of the bank and the RBI Group and incorporates measures to avoid conflicts of interest.

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

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

- The remuneration system supports the company's business strategy and long-term objectives, interests and values, by using the set of RBI KPIs and key cultural competencies.
- The compensation principles incorporate measures to avoid conflicts of interest.
- The compensation policy and principles are consistent and promote sound and efficient risk management practices and avoid variable payment for risk taking that exceeds the tolerated level for the institution, through KPIs and process management (eg Performance Management process, risk committees).
- Compensation is based on a functional structure and is related to performance. In addition, special rules apply to staff whose professional activity has a material impact on the risk profile ("identified staff").
- Compensation is competitive, sustainable and reasonable and is defined according to the relative value of labor, market and local practice.
- The compensation structure (the proportion of the variable payment relative to the fixed compensation) is balanced, which allows each employee an adequate level of remuneration, based on the fixed salary.
- The granting of variable payments does not limit RBRO's ability to strengthen its capital base.
- All variable payment programs include minimum performance levels and maximum payment thresholds.
- Performance is the basis for all variable compensation schemes and takes into account:
  - § RBI, RBRO, unit performance (if applicable) and individual performance (including compliance with the code of conduct and compliance requirements).
  - § Risk, financing and capital costs.
- Individual performance is the product of the obtained results and of the behaviors / competencies, based on both quantitative and qualitative measures, evaluated within the performance management process and taking into account financial and non-financial criteria.
- The performance of the Group / unit is the product of the results obtained starting from quantitative measures, based on a set of KPIs.
- The personnel employed in control positions are compensated independently of the business unit they supervise, they have the adequate authority and the remuneration of these employees is determined based on the achievement of their own objectives, not taking into account the results of the area they monitor. The fixed and variable remuneration structure must be in favor of fixed remuneration.
- Guaranteed variable payments are used exceptionally and can be offered in the first year of the contract.

Variable compensation is an important element of the total compensation approach, the bank's purpose being to attract, motivate and retain employees. Therefore, in defining any performance management system, quantitative and qualitative criteria are set, related to the value added adjusted for risk. If an employee receives variable compensation, this is done for the measured performance. Performance translates into results and behaviors: "what" and "how", according to the performance management system.

Variable compensation is reasonable and balanced compared to the base salary and in line with local market practices. Each variable payment scheme defines a variable payment target level. The variable payment target can be expressed as a percentage of salary or in absolute amount and represents the level of variable payment at a standard performance.

Performance measurement for employees in control functions (eg risk, audit, compliance) reflects the specific requirements of these functions.

Variable compensation can be of two types:

- Compensation within risk-adjusted variable payment schemes, directly related to performance, team and individual results, for employees in the area of retail sales, collection operations, call center
- Variable compensation for employees eligible for the annual performance bonus - for which the bonus amount is based on quantitative and qualitative objectives at the level of RBI Group, RBRO, team and individual. In their case, the variable compensation, including any deferred part, is allocated and paid only if the following minimum qualification criteria are met:
  - Allocation is not prohibited by regulations established by the competent authorities for the RBI Group and / or RBRO (for example, by the European Central Bank or the NBR).
  - The allocation of variable compensation is sustainable according to the financial situation of the RBI Group, but also of RBRO and justified, according to the performance of the Group, RBRO, the business unit and the data subject.
  - The minimum criteria applicable by law for RBROs to make variable payments are met.
  - The required legal level of Common Equity Tier 1 is reached for the RBI Group, there is compliance with all capital requirements provided by CRD and CRR for the RBI Group and the allocation and / or actual payment is not in opposition to maintaining a solid capital base for the RBI Group.
  - RBRO has reached the minimum regulated economic capital base, in accordance with the legislation in force and the allocation and / or effective payment is not in opposition to maintaining a solid capital base for RBRO.

If the variable compensation is paid to those persons defined as "identified staff fully affected", the payment of the bonus (and any other form of variable remuneration) will comply with the following rules:

- At least 50% of the allocated variable payment will be paid in non-cash financial instruments, respectively phantom-shares, which will be kept for one year;
- At least 40% of the variable payment will be subject to deferral and will be paid pro-rata;
- Any variable compensation, including the deferred part, is paid only if the minimum criteria are met.

The RBI Board may decide on the adjustment factors that should be used by the RBRO for the final calculation of the variable compensation granted.

If the variable remuneration is paid to those RBRO employees defined as “partially affected”, the requirement regarding payment in financial instruments (including retention), deferral and ex-post incorporation of the risk for variable payment (Malus or Clawback) may be subject of neutralization. If the total variable compensation of an "identified employee" does not exceed a certain "low level of variable payment", payment in financial instruments (including their retention), deferral, ex-post incorporation of the risk for variable remuneration (malus and clawback) may be subject to neutralization.

In 2019, the Remuneration Committee met once and made a decision by working order. The composition of the Remuneration Committee was as follows: Johann Strobl - Chairman, Martin Gruell - Member, Anca Ioan – Member.

**Table 32.**

SITUATION REGARDING THE REPORTING EXERCISE BY CREDIT INSTITUTIONS OF INFORMATION ON THE IDENTIFIED STAFF REMUNERATION

Nr. crt.		MB Supervisory function (SB)	MB Management function (BoM)	Investment Banking	Retail Banking	Asset Management	Corporate functions	Independent control functions	All other
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1)	Identified Staff Members (HC)	9	7						
(2)	Number of identified staff in FTE			31	14	0	10	37	0
(3)	of which: Number of identified staff in senior management positions			10	6	0	9	9	0
(4)	Total fixed remuneration of identified staff (EURO)	455,000	3,868,978	2,820,455	1,375,611	0	1,282,214	2,655,414	0
(4.1)	of which: total fixed remuneration in cash	455,000	3,868,978	2,820,455	1,375,611	0	1,282,214	2,655,414	0
(4.2)	of which: total fixed remuneration in equity	0	0	0	0	0	0	0	0
(4.3)	of which: total fixed remuneration in other instruments	0	0	0	0	0	0	0	0
(5)	Total variable remuneration of identified staff	0	889,586	471,388	227,022	0	232,203	441,577	0
(5.1)	of which: total variable remuneration in cash	0	444,793	471,388	227,022	0	232,203	441,577	0
(5.2)	of which: total variable remuneration in equity	0	444,793	0	0	0	0	0	0
(5.3)	of which: total variable remuneration in other instruments	0	0	0	0	0	0	0	0
(6)	Total amount of variable remuneration deferred	0	438,605	0	0	0	0	0	0
(6.1)	of which: total deferred variable remuneration in cash	0	219,303	0	0	0	0	0	0
(6.2)	of which: total deferred variable remuneration in equity	0	219,303	0	0	0	0	0	0
(6.3)	of which: total deferred variable remuneration in other instruments	0	0	0	0	0	0	0	0
<b>Additional information regarding total variable remuneration of identified staff</b>									
(7)	Total amount of outstanding deferred variable remuneration awarded in previous periods and not in year N	0	1,279,518	0	0	0	0	0	0
(8)	Amount of explicit ex post performance adjustments applied in year N for previously awarded remuneration	0	0	0	0	0	0	0	0
(9)	Number of recipients of guaranteed variable remuneration (new sign-on payments)	0	0	0	0	0	0	0	0
(10)	Total amount of guaranteed variable remuneration paid	0	0	0	0	0	0	0	0
(11)	Number of recipients of severance payments	0	0	0	0	0	0	0	0
(12)	Total amount of severance payments paid	0	0	0	0	0	0	0	0
(13)	Highest severance payment to a single person	0	0	0	0	0	0	0	0
(14)	Number of beneficiaries of contributions to discretionary pension benefits in year N	0	0	0	0	0	0	0	0
(15)	Total amount of contributions to discretionary pension benefits in year N	0	0	0	0	0	0	0	0
(16)	Total amount of variable remuneration awarded for multi-year periods under programmes which are not revolved annually	0	0	0	0	0	0	0	0

In Raiffeisen Bank S.A., the recruitment policy for the selecting of the succession management bodies members sets the criteria and the procedure according to which it needs to be assessed the compatibility of the proposed/ appointed members of the management body and also the assessment criteria for those who fulfill the key positions.

The RBRO Fit & Proper Policy sets the principles regarding the qualification and the experience including the process, the criteria and the minimum assessment requirements of the suitability of the individuals, as members in the management bodies or those entitled with the key positions in order to ensure the framework for a robust governance and an adequate supervision of this process within the financial institution, in accordance with the local legal provisions (NBR Regulation no 5/ 2013 regarding the prudential requirements of the credit institutions, NBR Regulation no. 6/ 2008 regarding the beginning of the activity and the changes in the situation of the credit institutions, Romanian legal persons and the branches from Romania of the credit institutions from third states etc.

Also, the policy defines the measures to be applied in the situations when these persons are not compatible with the positions and how the permanent compatibility to be assured.

Because of the EBA adviser and NBR Regulation no 5/ 2013 enclose mentions regarding the importance of the diversity at the superior management level, additional versus the standard set of the compatibility criteria set regulated through the policy on the qualification and experience, we are aware on the gender, cultural, education, experience differences of the superior management members can bring more value to our organization.

Taking into account the current structure of the management body, we mention the diversity principle regarding the gender, it was applied by the appointment of Mrs. Anca Ioan and Mrs. Ana Maria Mihaescu in the Supervisory Board of the Raiffeisen Bank S.A.

Information regarding the knowledge, the qualifications and effective expertise of the management body members at the date of 31.12.2019 are presented in the Appendix 2.

## 21. Article 451 CRR Leverage

Within the framework of CRR and in addition to the Total Capital requirements the leverage ratio was implemented as a new instrument to limit the risk of excessive indebtedness. According to Article 429 CRR, the leverage ratio is the ratio of capital to the leverage exposure. This means Tier 1 capital in relation to unweighted exposure on and off the statement of financial position.

Description of the processes used to manage the risk of excessive leverage

As part of the recurring internal risk reporting, Raiffeisen Bank SA monitors the development and value of the leverage ratio according to CRR, as part of ICAAP process.

Description of the factors with impact on the leverage ratio during the reference period

As at 31 December 2019 the leverage ratio of Raiffeisen Bank SA amounted to app 9 % per cent on a transitional basis, as follows (values in Ron thousands).

Table 33.

Summary reconciliation of accounting assets and leverage ratio exposure	Bank	Group
Total assets as per published financial statements	42,878,720	43,854,376
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	44,141	44,141
Adjustments for derivative financial instruments	4,227,637	4,504,663
Adjustment for securities financing transactions (SFTs)	(235,958)	(239,410)
<b>Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposure)</b>	<b>46,914,542</b>	<b>48,163,770</b>

Leverage ratio common disclosure	Bank	Group
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	42,972,986	44,148,271
(Asset amounts deducted in determining Tier 1 capital)	(235,958)	(239,410)
<b>Total on-balance sheet exposure (excluding derivatives, SFTs and fiduciary assets)</b>	<b>42,737,029</b>	<b>43,908,860</b>
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	18,312	18,312
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	44,141	44,141
<b>Total derivatives exposure</b>	<b>62,454</b>	<b>62,454</b>
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	14,749	14,749
<b>Total securities financing transaction exposure</b>	<b>14,749</b>	<b>14,749</b>
Off-balance sheet exposure at gross notional amount	12,754,020	1,154,678
(Adjustments for conversion to credit equivalent amounts)	(8,653,710)	3,023,029
<b>Other off-balance sheet exposure</b>	<b>4,100,310</b>	<b>4,177,707</b>
<b>Tier 1 capital</b>	<b>4,546,924</b>	<b>4,680,302</b>
<b>Total leverage ratio exposure</b>	<b>46,914,542</b>	<b>48,163,770</b>
<b>Leverage ratio (transitional)</b>	<b>9.69%</b>	<b>9.72%</b>

Split of on-balance sheet exposure (excluding derivatives, SFTs and exempted exposure)	Bank	Group
Total on-balance sheet exposure (excluding derivatives, SFTs, and exempted exposure), of which:	33,014,089	44,148,271
Trading book exposure	384,206	393,461
Banking book exposure, of which:	32,629,883	43,754,810
Covered bonds	-	-
Exposure treated as sovereigns	11,600,521	10,816,644
Exposure to regional governments, MDB, international organizations and PSE not treated as sovereigns	647,081	1,084,132
Institutions	537,329	230,412
Secured by mortgages on immovable properties	4,484,383	5,908,396
Retail exposure	6,329,664	10,396,521
Corporate	6,141,953	10,469,515
Exposure in default	677,981	647,140
Other exposure (e.g. equity, securitizations, and other non-credit obligation assets)	2,210,972	4,202,050



## 22. Article 452 CRR Use of the IRB approach to credit risk

### *A. Approaches or transition arrangements approved by the competent authorities*

#### **A.1. Internal Ratings Based Approach (IRB)**

Raiffeisen Bank S.A. calculate risk-weighted exposure amounts using the Internal Ratings Based Approach IRB, except the following type of exposure for which an approval was received to apply Permanent or Temporary Standardized Approach:

#### **A.2. STD Permanent Partial Use (STD-PPU)**

According to art. 150 CRR, for the following exposure classes, the bank meets the criteria to used STD-PPU:

- Exposures to central governments or central banks, expressed in the currency of the state (EU member state)
- Exposure to International Organisations
- Exposures to multilateral development banks
- Exposures rated by the Local and Regional Governments (LRG) rating model
- Exposure to subsidiary Raiffeisen Leasing IFN SA
- Exposures to public sector entities, including churches and religious communities
- Retail exposures related to non-retail clients, car purchase loans, those who benefit from exposures in the form of guarantee letters, or personal needs loans from the portfolio acquired from Citibank in 2013.

The application of the Permanent Standard Approach for these exposure classes is due to the limited number of counterparties and the implementation of a rating system for those counterparties constitutes an excessive effort for the bank, or due to membership in small operational units, exposure classes or exposure types that are not significant in terms of size and risk profile.

#### **A.3. STD Temporary Partial Use (STD-TPU)**

Retail exposures, represented by the portfolios of Professionals clients (from the Micro portfolio), have the approval to temporarily use the standard approach until the IRB is approved.

## B. Structure of the internal rating systems

External ratings are applied directly only for securitization items.

For all other items, an already existing external rating does not replace an internal rating and thus does not cancel the general obligation to create an internal rating. External ratings are not used as a model input factor in any rating model; they are solely used for the purpose of comparing them with internal ratings. When a rating is determined, external ratings and their documentation are viewed solely as additional information.

The comparison of external ratings against internal ratings in mapping tables is a central element particularly in the validation of low-default portfolios.

Below is a summary table on the exposure classes and the used rating methods for each:

**Table 34.**

Exposure class	Rating model										
	CORP	LCO	SMB	SLOT	INS	SOV	LRG	FIN	CIU	PI	Micro
Retail										X	X
Central banks and central governments						X					
Public sector entities and non-commercial organizations	X	X				X	X				
Financial institutions								X			
Corporate	X	X	X		X			X			X
Project financing				X							
Private (non-retail)	X	X									
Equity exposures	X	X		X	X			X			

PI: Private individuals (retail), Micro SME: Small and medium enterprises, CORP: Corporate/Companies, LCO: Large companies, SMB: Small and medium business, SLOT: Project financing, INS: Insurance companies, SOV: Sovereigns, LRG: Local and regional governments, FIN: Financial institutions, CIU: Collective investment undertakings

### B.1 Use of internal estimates

Under the IRB approach, internal risk-parameter estimates are used not only to calculate capital requirements but are an essential part of credit decisions and credit management processes and also determine RBI's standard risk costs, profitability assessment and economic capital (Internal Capital Adequacy Assessment Process (ICAAP)).

## **B.2 Control mechanism for rating systems**

The non-retail rating models are centrally validated at RBI AG for all members of the RBI Credit Institution Group by the unit 'Rating Model Validation' which is independent from risk origination units and from the Credit Risk Control Unit. The rating systems are reviewed using prescribed validation tests comprising the following methods:

- Assessment of the documentation of the rating models
- Assessment of the assumptions underlying the rating models (model design)
- Assessment of the data used for validation (data quality)
- Assessment of the application of rating results
- Distribution analyses
- Review of the discriminatory power of the final rating
- Assessment of the discriminatory power of the individual rating inputs and in certain sub-portfolios
- Comparison of the predicted and observed default rate (backtesting)
- Assessment of the stability of the rating model
- Calculation of the migration matrices and their analysis
- Review of the relationship between internal and external ratings (benchmarking)

Retail rating models are initially and periodically validated locally in the Model and Validation Committee, and afterwards in the Validation Committee at RBI level. The reviewer role belongs to members of the Credit Risk Methodology and Validation Department therefore ensuring independence from the loan originating areas.

The mechanism used in initial validation process entails checking of all aspects (data input and applicability) that are used in both model development as well as data used afterwards, in business process, as part of the usual model updates. Therefore, variables used in the model are checked and their calculation is replicated (using the same codes and input data) and all historical modifications and their inherent impact is also determined. In case of periodic validation, such aspects that have been previously mentioned are also checked, and statistical tests are applied accordingly to the applicable validation methodology framework for retail models.

## **B.3 Description of the internal rating process**

### **B.3.1 General information**

A client is assigned to a certain rating method based on the exposure class at the time the rating is determined. This mapping between the client's exposure class and the adequate rating model is a fixed part of the rating databases, which document the individual steps in the creation of a rating along with the rating process itself.

In all RBI models, the strict "four-eyes principle" (dual control) applies to the determination of the rating. Compliance is documented in the rating databases. All individuals and committees involved in the rating process must be recorded in that database.

Clients classified as equity exposures are subject to the same rating model as clients classified as corporate or institutional exposures depending on client type. Risk-weighted exposure amounts are determined for these items using the PD/LGD method.

### B.3.2 Rating corporates

#### Scope of application

Corporate clients are either allocated to Large Corporates, Corporates or the SMB rating model. The split between the Corporates and the SMB model is based on country specific thresholds for two criteria: "corporate client's turnover" and "exposure to bank". The split between Corporate and Large Corporate customers is based on thresholds for "total revenues" and "total assets", both of which have to be exceeded by Large Corporates.

#### Development and objective

The Corporates rating model was developed by RBI experts using internal data from all units of the Group and state-of-the-art statistical methods as well as expert opinions of rating analysts from RBI Vienna and several RBI units.

Quantitative and qualitative factors are statistically combined to obtain a comprehensive assessment of the client's creditworthiness.

#### Rating model

The Corporates rating model has essentially two components:

##### Quantitative analysis

The model is based on the assessment of the corporate client's financial data. The quantitative variables as well as their weights have been estimated statistically with the aim to maximize discriminatory power over a one year horizon. The quantitative score also takes into account current trends and forecasts of the customer's financial status.

##### Qualitative analysis

The qualitative model uses a set of key questions, which are answered by the analyst. The questions are operationalized to a high extent so as to assure an objective assessment. The qualitative variables and their weights as well as the weights of the answers have been statistically estimated to maximize predictive power over a one year horizon.

The corporate client's rating ultimately emerges from the optimal combination of the quantitative and qualitative assessments and possible warning signals. The Corporates rating model differentiates risk depending on the industry sector and the country of residence of the customer.

#### Rating model output

The Corporates rating model results in a rating grade on a 25 grade scale which is assigned a certain probability of default.

This client rating is an essential factor in the loan decision and significantly influences the terms granted to the customer. The rating subsequently serves as the basis for determining capital adequacy.

#### Rating process

The customer relationship manager obtains the financial data and supplementary information required for the rating. He then forwards these documents to the rating expert along with a request that the expert determines a rating. From this point on, the customer relationship manager has no direct influence on the determination of the rating.

The input data are recorded and processed in the Corporates rating model solely by the rating expert. The process outcome is the issuance of a rating and thus an assignment of the client to an internal risk class. Ratings created in this manner are then documented in the rating database.

The rating analyst bears final responsibility for the rating and must critically assess the corporate client's financial data as well as relevant soft facts. Where necessary, the rating expert can adjust the rating to ensure a correct and fair assessment of the corporate client's creditworthiness.

### B.3.3 Rating model Large Corporations

#### **Scope of application**

Corporate clients are allocated to the Large Corporates, the Corporates or the SMB rating model. The split between the Corporates and the SMB model is based on country specific thresholds for two criteria: "corporate client's sales turnover" and "exposure to bank". The split between Corporate and Large Corporate customers is based on thresholds for "total revenues" and "total assets", both of which have to be exceeded by Large Corporates.

#### **Development and objective**

The Large Corporates rating model was developed by RBI experts using external rating and balance sheet data, internal data from all units of the Group and state-of-the-art statistical methods as well as expert opinions of rating analysts from RBI Vienna and several RBI units.

Quantitative and qualitative factors are combined to obtain a comprehensive assessment of the client's creditworthiness.

#### **Rating model**

The Large Corporates rating model has essentially two components:

##### Quantitative analysis

The model is based on the assessment of the corporate client's financial data. The quantitative variables as well as their weights have been estimated statistically with the aim to maximize discriminatory power over a one year horizon.

##### Qualitative analysis

The qualitative model uses a set of key questions, which are answered by the analyst. The questions are operationalized to a high extent so as to assure an objective assessment.

The large corporate client's rating ultimately emerges from the combination of the quantitative and the qualitative assessments, the trends and forecasts, and possible warning signals. The Large Corporates rating model differentiates risk depending on the industry sector and the country of residence of the customer.

#### **Rating model output**

The Large Corporate rating model results in a rating grade on a 25-grade scale, which is assigned a certain probability of default.

This client rating is an essential factor in the loan decision and significantly influences the terms granted to the customer. The rating subsequently serves as the basis for determining capital adequacy.

### **Rating process**

The customer relationship manager obtains the financial data and supplementary information required for the rating. He then forwards these documents to the rating expert along with a request that the expert determines a rating. From this point on, the customer relationship manager has no direct influence on the determination of the rating.

The input data are recorded and processed in the Large Corporates rating model solely by the rating expert. The process outcome is the issuance of a rating and thus an assignment of the client to an internal risk class. Ratings created in this manner are then documented in the rating database.

The rating analyst bears final responsibility for the rating and must critically assess the corporate client's financial data as well as relevant soft facts. Where necessary, the rating expert can adjust the rating to ensure a correct and fair assessment of the corporate client's creditworthiness.

### **B.3.4 Rating model Small and Medium Enterprises (SMEs)**

#### **Scope of application**

Corporate clients are allocated to either the Corporates or the SMB rating model according to the given country's threshold and based on two criteria: "corporate client's sales turnover" and "exposure to bank".

#### **Development and objective**

The SMB rating model was developed by RBI experts using internal data from all units of the Group and state-of-the-art statistical methods as well as expert opinions of rating analysts from RBI Credit Management Retail.

Quantitative, qualitative and behavioral factors are statistically combined to obtain a comprehensive assessment of the client's creditworthiness.

#### **Rating model**

The SMB rating model has three components:

##### Quantitative analysis

This rating model is based on the client's financial data. The quantitative rating is determined from financial ratios selected statistically based on strong predictive power.

##### Qualitative analysis

The qualitative model uses a set of 31 parameters group by in 6 categories, which are answered by the analyst. The questions are operationalized to a high extent so as to assure an objective assessment.

##### Behavioral analysis

In the behavioral component, information from SMB clients' current accounts, loans and leasing products is evaluated. Data is delivered automatically and in a monthly frequency for rating evaluation.

The SMB client's rating ultimately emerges from the combination of the quantitative, qualitative and behavioral assessments, and allocates the client to the correct rating grade.

#### **Rating model output**

The SMB model has a total of 12 rating notches for non-defaulted clients. This client rating is an essential factor in the loan decision and significantly influences the terms granted to the customer.

### **Rating process**

The rating is determined by experienced SMB relationship managers and small business credit risk staff with in-depth knowledge of this segment. The SMB relationship manager is only allowed to propose a rating, which is subsequently reviewed by an SMB credit analyst in the risk department and thoroughly researched again. As a final step, the rating is confirmed by the risk department of the network unit (NWU) in keeping with the "four-eyes principle" (dual control). Ratings created in this manner are then documented in the rating database.

The rating analyst bears final responsibility for the rating and must critically assess the SMB client's financial data as well as relevant soft facts. Where necessary, the rating expert can adjust the rating to ensure a correct and fair assessment of the SMB client's creditworthiness.

### **B.3.5 Rating model Central Administration (Country Rating)**

#### **Scope of application**

The country rating is applied as:

- A counterparty rating for the central bank and central governments and administrative entities directly answerable to the sovereign.
- A country rating to estimate the country risk when country limits are set up for cross-border transactions.
- A country ceiling for the estimation of transfer risks.

If applied as a counterparty rating, the rating is used for local and foreign currency exposures.

#### **Development and objective**

The country rating model was first introduced in December 1999 as a result of the Asia crisis in 1997/98. The model underwent a revision in 2002 to comply with the Basel II requirements. With the country rating model, RBI can evaluate the country risk of any country based on publicly accessible data on the economic and political situation prevailing in that country.

The total score is mapped to a rating class, which corresponds to a given probability of default. The model correlates highly with external ratings.

Within RBI, the rating is determined centrally by a specialized department at RBI AG and made available to all entities of RBI Group. The RBI country rating is the only rating allowed to be used for applications for sovereign counterparties and country risks.

#### **Rating model**

The rating model distinguishes between industrialized countries and developing countries. This distinction is made because foreign debt, debt servicing and external liquidity are all extremely important factors for estimating the country risk of developing countries yet of only subordinate importance for the evaluation of industrialized countries.

The country rating model for industrialized countries is modeled on the Maastricht criteria.

The rating model for developing countries has 15 quantitative and 12 qualitative indicators. The indicators chosen deliver sound explanations for changes in a country's economic and external positions.

#### **Rating process**

The country ratings are created centrally by RBI AG in a specialized analysis department that works independently of any front office department. In a final step, the rating is created and archived in an internal rating database and then made available to all Group entities from there. The country rating from this rating database is also automatically used as a country ceiling in other rating models.

The quantitative analysis is carried out using publicly available data from reliable sources such as the IMF, the World Bank, national statistics offices, IIF (Institute of International Finance) and EIU (Economist Intelligence Unit). The qualitative analysis is carried out by country analysts based on information from the press, specialized risk reports and discussions with on-site managers.

A rating is determined for all countries for which RBI entities have a country limit and thus not only in the case of counterparty exposures to a sovereign or central bank. That means the number of countries is greater than the number of active exposures to sovereigns or central banks.

The client departments initiate country ratings when new country limits are to be set or applications are submitted for new sovereign counterparties.

Ratings are usually determined at least once a year and reviewed constantly by analysts to take into account any possible negative trends.

In all RBI models, the strict "four-eyes" principle (dual control) applies to the determination of the rating. Compliance is documented in the rating databases.

### B.3.6 Rating model Banks and Financial Institutions

#### **Scope of application**

The RBI rating model for banks and bank-like institutions is applied when the creditworthiness of FI counterparties is assessed within RBI. The rating is a central element in the decision on whether or not to grant credit.

#### **Development and objective**

The RBI rating model for banks and bank-like institutions was revised in 2015. The revised rating model received regulatory approval in October 2016 and since November 2016 it is used in all risk management processes.

The RBI rating model for banks and bank-like institutions was statistically developed by RBI experts using internal as well as external data applying the same best practice methodology as was used for developing the corporate rating models. During the development process close cooperation with the rating analysts from RBI was maintained.

The structure of the revised rating model for banks and bank-like institutions was chosen to be consistent with approaches used by external rating agencies. The rating is created in three steps:

1) Viability Rating (i.e. stand-alone view or rating before considering support)

Quantitative factors (e.g. balance sheet ratios), qualitative factors and the risk of the financial sector are statistically combined in the rating before considering support.

2) Final Rating (i.e. rating after considering support)

In the support module ownership support and/or systemic support are assessed with respect to ability and willingness of giving support. Based on this assessment and following a strict logic the viability rating can be improved leading to the final rating.



### 3) Country Ceiling

In order to take into consideration the transfer risk of cross-border transactions, a country ceiling is applied.

#### **Rating model**

The rating model for banks is subdivided into the following modules (or risk functions): the quantitative modules, the qualitative modules, the financial sector risk assessment and the support module.

The following aspects are assessed in the quantitative module using ratios derived from the financial statements:

- Profitability
- Asset Quality
- Liquidity
- Balance Sheet Metrics
- Income Structure

The following aspects are assessed in the qualitative module using a questionnaire with standardized possible answers:

- General & Business Position
- Asset Quality
- Funding & Liquidity
- Capitalization
- Profitability
- Outlook

The financial sector risk assessment (FiSRA) is designed to assess the riskiness and instability of the business and economic environment the client has to operate in. The module is based on macro economic inputs.

The quantitative module and the qualitative module together with the FiSRA module lead to the viability rating, i.e. the stand-alone (or before support) assessment of the client's creditworthiness. In the support module ownership support and/or systemic support are assessed in terms of willingness and ability to support. Depending on the results from the support module and following a fixed logic the viability rating can be improved by some notches or grades to yield the final rating. In order to take into consideration the transfer risk of cross-border transactions, a country ceiling is applied.

#### **Rating model output**

The rating model for banks and bank-like institutions results in a rating grade on a 25-grade scale (the same 25-grade scale as is used for the Corporate rating models) which is assigned a certain probability of default.

During the process of rating the client, the analyst writes an analysis text containing the essential background details, basic information and qualitative assessments of the counterparty.

The rating of the client is an essential factor in the loan decision and significantly influences the terms granted. The rating subsequently serves as the basis for determining capital adequacy.

#### **Rating process**

The ratings for banks and bank-like institutions are created centrally by RBI AG in a specialized analysis department that works completely independently of any front office department. In a final step, the

rating is created and archived in an internal rating database and made available to all Group entities from there.

The first rating is determined when a relationship is established with a new client. Every active client is rated once a year and/or after circumstances become known that lead to a rating change.

The rating analyst bears final responsibility for the rating and must critically assess the client's financial data as well as all relevant soft facts. If necessary, the rating expert can adjust the rating to ensure an appropriate assessment of the client's creditworthiness.

### B.3.7 Rating model Insurance Companies

#### **Scope of application**

The RBI rating model for insurance companies and undertakings similar to them is applied within the entire RBI Group to assess the creditworthiness of these companies and undertakings and is a central element in the decision on whether or not to grant credit.

#### **Development and objective**

The model was developed in-house in 2002 based on the experience gained from the banking model already in use since the mid-1990s. The model is applied uniformly worldwide to all insurance companies and undertakings similar to them.

The quantitative section of the model is based on a benchmark system and qualifies as an expert model.

#### **Rating model**

The rating model for insurance companies is divided into the following sections: the quantitative section, the qualitative section and risk assessment. The ratios applied to life and to non-life insurance differ, as do the weightings. The following parameters are reviewed in the quantitative section:

- Income
- Premium structure
- Capitalization and solvency
- Actuarial provisions
- Liquidity

The qualitative section assesses the company's environment and background information based, for example, on the following parameters:

- Owners and their creditworthiness
- Probability of internal and external support
- Changes in the legal environment
- General economic risk in the local market and in the local insurance market
- The position of the insurance company within the insurance sector

To estimate risk, the risk of the activities conducted by the insurance carrier is assessed based on activity type, the balance sheet and income structure of the activities, and the dependence of the activities on the economic and social environment.

#### **Rating model output**

The model has ten notches (nine non-default notches and one default notch). Parallel to scoring, the analyst produces an analysis text containing the essential background details, basic information and qualitative assessments of the client.

### **Rating process**

The rating for insurance companies is determined centrally by RBI AG in a specialized analysis department that works completely independently of any front office department.

The rating is created and archived in an internal rating database and made available to all Group entities from there.

The first rating is determined when a relationship is established with a new client. Every active client is rated once a year and/or after circumstances that lead to a rating change become known. Neither the analyst nor any other authority in the Group has the power to overrule the final rating.

### **B.3.8 Rating model Collective Placement Bodies (OPC)**

#### **Scope of application**

The rating model for CIUs is applied when the creditworthiness of fund counterparties is assessed within the RBI Group. The rating is a central element in the decision on whether or not to grant credit.

#### **Development and objective**

RBI devised the CIU rating model in 2006. The model is applied uniformly for funds worldwide, taking especially into consideration the special regulations for funds regulated under EU directive (UCITS funds).

The CIU rating developed by RBI is a credit risk rating, not an investment rating. The objective of the rating is to estimate the credit risk of counterparties which are organized in the legal or organizational structure of a Collective Investment Undertaking.

#### **Rating model**

The model has two components: quantitative scoring and qualitative scoring. In quantitative scoring, the scores are automatically calculated for the individual indicators based on benchmarks. The analysts assign qualitative scores manually with the aid of a scoring manual.

#### **Rating model output**

The model has ten notches (nine non-default notches and one default notch). Parallel to scoring, the analyst writes an analysis text containing the essential background details, basic information and qualitative assessments of the counterparty.

### **Rating process**

The ratings for CIUs are created centrally by RBI AG in a specialized analysis department that works completely independently of any front office department. In a final step, the rating is created and archived in an internal rating database and made available to all Group entities from there.

The first rating is determined when a relationship is established with a new client. Every active client is rated once a year and/or after circumstances that lead to a rating change become known.

Neither the analyst nor any other authority in the Group has the power to overrule the final rating.

### B.3.9 Rating model Specialized Finances

#### **Scope of application**

The term "specialized lending" as used in the EU Directive refers to structured financing and is a segment in the "Corporates" client class. This segment is differentiated from corporates in the narrower sense using the criteria defined in the EU Directive:

Financing of assets

Control over and access to the cash flow generated by the asset

Control over and access to the asset itself

The source of repayment of a project loan must be predominantly based on the cash flows generated by the assets (at least 80% over the maximum acceptable loan term), rather than on the cash flows produced by a broadly-operating company.

Takeover financing therefore does not fall under the specialized lending subsegment according to the above definition; it is classified under corporates in the narrower sense.

Rating model cover the following subcategories:

Real estate finance

Object finance (movable assets such as airplanes, ships, etc.)

Project finance in the narrower sense (immovable assets such as industrial plants, power stations, etc.)

#### **Development and objective**

The rating model for specialized lending was developed in-house by RBI experts and incorporates market experience from all RBI markets.

The model applies what is referred to as the "slotting criteria" approach. That means the projects are classified in five risk classes specified under law. These risk classes do not substantively denote probabilities of default but rather a combination of economic performance (PD) and the situation of the bank as regards collateral (LGD).

#### **Rating model**

In accordance with the EU Directive, the specialized lending rating model consists of two components: the economic performance of the project and the situation of the bank as regards collateral.

Economic performance is measured by hard facts and soft facts, which are combined into a single economic score ("grade"):

##### Hard facts grade:

The model is based on an assessment of the economic performance of the project over the maximum acceptable loan tenor in relation to debt service. The maximum acceptable loan tenor is geared to the risk policy practiced by the bank. The assessment revolves around the "average cover ratio for debt service" over this term, which is evaluated using certain benchmarks.

##### Qualitative analysis ("soft facts grade"):

Fundamental parameters relating to project success are evaluated in the qualitative analysis, e.g.:

- Management and sponsor (experience specifically related to the project, reference projects)
- Basic project conditions (location, technical equipment)
- Structure of the financing (amortizing loan or bullet loan, residual value).

Collateral valuation is the second component of the rating and is carried out largely according to market criteria.

### **Rating model output**

The economic score and collateral evaluation are combined to allocate the project to the individual risk classes (in this case: slots).

### **Rating process**

The product advisor/customer relationship manager proposes a rating. The “four-eyes principle” (dual control) applies, so the risk manager with rating responsibility is entitled to confirm the rating suggested by the advisor or to suggest another one. The rating tool shows both suggestions: the product advisor’s and the risk manager’s.

If the product advisor and risk manager suggested different ratings and fail to reach agreement on the rating, the rating suggested by the risk manager applies. However, the product advisor can initiate an “escalation process”, which can culminate in an overruling of the rating by the CRO.

### **B.3.10 Rating model for retail exposures (individuals and Micro companies)**

#### **Scope of application**

The scoring model is used in Raiffeisen Bank S.A. to assess the creditworthiness of retail counterparts and SME (Micro) counterparts with standard products for retail exposures; retail exposures are present in all 3 sub-segments, i.e. retail exposures secured by real estate, renewable retail exposures and other retail exposures. The score is the decision-maker in the lending process.

#### **Development and objective**

The Retail Scoring Models were originally developed between 2005 and 2007 by Raiffeisen Bank S.A. in cooperation with THE RBI Group or external experts. Depending on the performance of the models, which reflect both the structure of the acquisition and the evolution of the macro-economic framework, they have been redeveloped over time.

Since December 2013, the bank has received approval to use the results of the rating model to determine capital requirements. Rating models were developed based on local data. The responsibility for developing risk models lies with the Credits and Modeling Portfolio Analysis Department. The risk model performance yearly monitoring is in the responsibilities of the Credit Risk Methodology and Validation Department.

#### **Rating model (PD, LGD and CF)**

The probability of default (PD) rating system is based on the score of each individual exposure and the corresponding calibration function. For each of the products, performance is assessed either by using the associated application score or the behavior score, depending on the age of the exposure in the portfolio. All exposures with less than 6 MOB are assessed using application score, and for the others, behavior score is used.

Loss given default (LGD) is determined at portfolio level for both unsecured products in PI as well as for Micro clients. For secured products, allocation to an LGD rating grade is based on the segmentation in default/non-default and each individual value of LGD. Collateral used in LGD estimation is compliant with the eligibility criteria in CRR.

Conversion factors (CF) are determined at the level of each exposure, based on the risk segment it belongs to, according to the CF model.

Besides the calculation of the risk weighted asset calculation, internal estimates are used when reporting to the Group, in the calculation of economic capital and the usual business processes (selection of the clients based on pre-defined criteria).

### **Rating model output**

The result of the scoring system is calibrated on a ten rating scale class, default class included.

### **Scoring process**

Scoring for private individuals and Micro have been developed locally, based on Raiffeisen Bank's available data, internally and externally. The departments responsible with clients first perform a pre-scoring when the client initially applies for the loan. Pre-scoring becomes score once all the necessary data is checked and finalized.

For all active clients, scoring is updated after 6 months, based on client's payment behaviour.

Neither the analyst nor another authority in the Group cannot modify the final score produced by the model.

## **B.4 Definitions, methods and data used to estimate and validate the probability of default**

"The estimation of the default probabilities for a period of 12 months is based on the definition used internally within the RBI Group for the default status, which represents a specific implementation at Group level of the default definition according to Basel II. The following concrete elements are taken into account regarding the default status:

### **D1 – Bankruptcy:**

This indicator is to be used when:

- a. The bank or the lead manager of a credit consortium starts bankruptcy / insolvency or similar proceedings against the customer, or undertakes to start out-of-court negotiations about settlement of debt.
- b. A business contact of the customer (not related to the bank/lead manager) starts bankruptcy / insolvency or similar proceedings against the customer, or undertakes to start out-of-court negotiations about settlement of debt and the bank (consortium) is subject to a payment default. If it is not possible for any member of RBI Group to recognize the start of these proceedings when a third party starts them, the actual opening of the bankruptcy / insolvency shall be taken as the default indicator.
- c. The obligor filed for bankruptcy/insolvency or similar protection where this would avoid or delay repayment of the credit obligation to the bank (consortium).
- d. In the local internal policies, it has to be clearly specified what type of arrangement is treated as an order or as a protection similar to bankruptcy, taking into account all relevant legal frameworks as well as the following typical characteristics of such protection:
  - the protection scheme encompasses all creditors or all creditors with unsecured claims;
  - the terms and conditions of the protection scheme are approved by the court or other relevant public authority;

- the terms and conditions of the protection scheme include a temporary suspension of payments or partial redemption of debt;
- the measures involve some sort of control over the management of the company and its assets;
- if the protection scheme fails, the company is likely to be liquidated.

e. All types of arrangements (insolvency proceedings) listed in Annex A to Regulation (EU) 2015/8485 are to be treated as an order or as a protection similar to bankruptcy.<sup>1</sup>

#### **D2 – Direct write-off:**

Claims<sup>2</sup> against customers are (partially) written off where specific provisions for the customer have not been made. Write-off occurs when it is no longer expected that a credit obligation can be collected in full.

#### **D3 – Claim written-off against provisions:**

Claims towards a corporate customer are (partially) written off against previously created specific provisions. This default classification has only to be applied for provisions built in the past, as assigning an Individual Loan Loss Provision (ILLP) is a default trigger for itself.

As follows, this default trigger may not be used as first default trigger, but can occur afterwards during the default cycle.

#### **D4 – Loan/facility called:**

A loan/facility to a non-retail customer is accelerated/called immediately due before the scheduled maturity because the bank expects an economic loss.

#### **D5 – Distressed Restructuring:**

According to the article 178 (3(d) CRR, distressed restructuring are measures that are likely to result in a diminished financial obligation caused by the material forgiveness or postponement of principal, interest or (where relevant) fees.

In order to be consistent with the supervisory reporting framework it has been specified in the Guidelines EBA/GL/2016/07 on the application of the definition of default that **distressed restructuring** has to be considered to have occurred when concession/ forbearance measures in combination with a loss expectation (detected by an impairment test) has been granted towards a debtor. Definition and reporting of forbearance/forbearance measures is regulated in SUP 2015-0173 Functional Instruction Forbearance and Non-performing Exposure (Non-Retail) in conjunction with the respective EBA regulation. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments (“financial difficulties”).<sup>3</sup>

The assessment of whether the financial obligation has diminished has to be calculated according to the following formula, and has **not to be higher than 1%**:

$$D_{\{0\}} = (NPV_{\{0\}} - NPV_{\{1\}}) / NPV_{\{0\}}$$

where:

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<sup>1</sup> EBA/GL/2016/07 section 3, chapter 5. Indications of unlikelihood to pay; article 56, 57 Bankruptcy

<sup>2</sup> A claim is defined as the outstanding amount (exposure).

<sup>3</sup> SUP 2015-0173 Functional Instruction Forbearance and Non-performing Exposure (Non-Retail); chapter 3



$D_{\{0\}}$  is the % of the diminished financial obligation

$NPV_{\{0\}}$  is net present value of cash flows (including unpaid interest and fees) expected under contractual obligations before the changes in terms and conditions of the contract discounted using the customer's original effective interest rate;

$NPV_{\{1\}}$  is net present value of the cash flows expected based on the new arrangement discounted using the customer's original effective interest rate.

For the purposes of unlikeliness to pay as referred to in point (d) of Article 178(3) of Regulation (EU) No 575/2013, for each distressed restructuring, at the moment of decision for extension of a forbearance measure, the diminished financial obligation has to be calculated and compared with the threshold as defined above. Where the diminished financial obligation is higher than this threshold, the exposures must be considered defaulted.

If however the diminished financial obligation is below the specified threshold, and in particular when the net present value of expected cash flows based on the distressed restructuring arrangement is higher than the net present value of expected cash flows before the changes in terms and conditions, such exposures has to be assessed case by case for other possible indications of unlikeliness to pay. In case there are reasonable doubts with regard to the likeliness of repayment in full of the obligation according to the new arrangement in a timely manner, the obligor must be considered defaulted. The indicators that may suggest unlikeliness to pay and are to be assessed case by case include the following:

- a large lump sum payment envisaged at the end of the repayment schedule;
- irregular repayment schedule where significantly lower payments are envisaged at the beginning of repayment schedule;
- significant grace period at the beginning of the repayment schedule;
- the exposures to the obligor have been subject to distressed restructuring more than once.

Any concession extended to an obligor already in default leads to classify the obligor as a distressed restructuring.

Where any of the modifications of the schedule of credit obligation is the result of financial difficulties of an obligor, it has to be assessed whether a distressed restructuring has taken place and whether an indication of unlikeliness to pay has occurred.<sup>4</sup>

Please note that all forborne performing exposures have to be analysed on a regular basis in order to determine whether any of them fulfils the indication of unlikeliness to pay.

Please note that all exposures classified as forborne non-performing subject to distressed restructuring have to be classified as default. It has to be checked on a regular basis that all forborne non-performing exposures are classified as default and subject to distressed restructuring.<sup>5</sup>

Implications:

- Postponements / extensions are also taken into consideration as a default indicator in case an economic loss is expected. A "diminished financial obligation" measured on a NPV basis is a pre-condition for the expected economic loss in a distressed restructuring. Consequently, a postponement which does not result in a diminished financial obligation is not considered triggering an event of default – e.g. only extending the tenor of a credit obligation does not

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<sup>4</sup> EBA/GL/2016/07 section 3, chapter 5 Indications of unlikeliness to pay; article 49-55 Distressed restructuring

<sup>5</sup> EBA/GL/2016/07 section 3, chapter 10 Documentation, internal policies and risk management process; article 107 Timeliness of the identification of default



necessarily result in a diminished financial obligation. One exception refers to “crisis-induced” extension for SL (specialized lending) customers. Third “crisis-induced” extension of the loan maturity for SL (specialized lending) customers is always to be considered as unlikely to pay default reason.

- Please note that in case of multiple restructurings for the same debtor within a certain time period (2 years), the materiality threshold is to be calculated based on the accumulated loss since the first time customer has been restructured, irrespective of the number of restructurings in between. The accumulated loss is to be calculated based on the difference between the NPV prior the first restructuring and NPV after the last restructuring, excluding intermediate payments by the customer. As follows it is not possible to prevent a default with small serial restructurings. For the calculation of the NPVs the original effective interest rate shall be used.
- Restructuring also includes ‘conditional forgiveness’ (write-off) of part of the exposure during distressed restructuring, where the customer has the option to repay a material lower amount (less than 99%) based on some condition(s). The default in this case is triggered from the moment of the decision for conditional forgiveness when the customer was given the option to pay a lower amount (the extension of the forbearance measure) and not from the moment of fulfilment of the conditions (the use of the option).
- ‘Embedded forbearance clauses’ which can be enforced by a debtor and enable the debtor to change the terms of the contract, shall trigger a default when executed if the debtor is in financial difficulties and if the execution of the clause results in a material loss calculated on NPV basis.
- Losses resulting from refinancing of customers with financial difficulties are also to be considered within this default category if they are material (losses to be calculated on NPV basis).

Lower interest rate than the originally agreed or postponement of the interest payment leading to diminished financial obligation is also to be considered as a default event but only in case the interest reduction is driven by financial difficulties of the debtor. As long as the customer is not in financial difficulties lower interest rate does not trigger a default. The relevant interest rate in this respect is the customer margin over the reference rate.

#### **D6 – Interest payment cancelled:**

The obligor is unlikely to pay where interest related to credit obligations is no longer recognised in the income statement due to the decrease of the credit quality of the obligation.<sup>6</sup> In this case the bank no longer charges the customer interest (all or part) for the open claims towards the customer. This is independent of the time frame given for not paying interest (this can be either for a pre-defined period or without deadline but based on certain events<sup>7</sup>). In contrast to a postponement of interest payments, which is the normal procedure in a credit restructuring (D5 indicator), the interest payment cancellation means a real write-off of the interest payments. The interest payments in D6 are cancelled and not extended/postponed (D5).

Please note that also internally cancelled interest (non-accrual status acc. to IFRS) is to be considered as default trigger.

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<sup>6</sup> EBA/GL/2016/07 section 3, chapter 5 Indications of unlikelihood to pay; article 35 Non-accrued interest

<sup>7</sup> For instance, an agreed company restructuring leading to tangible results

### D7 – Claim sold with losses:

The credit institution sells the credit obligation at a material credit-related economic loss. The material threshold has to be calculated according to the following formula, and must **not be higher than 5%**:<sup>8</sup>

$$L = (E-P) / E,$$

where:

L is the economic loss related with the sale of credit obligations;

E is the total outstanding amount of the obligations subject to the sale, including interest and fees;

P is the price agreed for the sold obligations.

Credit related losses are losses due to financial difficulties of the debtor. Non-credit related losses are not treated as a default within this classification.

### D8 – Overdue payment:

The debtor has overdue in paying by more than 90 days for any material obligation from loans to the Bank or to any of the units of the RBI group according to the materiality threshold of 1% AND 1,000 RON. The automatic monitoring and reporting of these cases is done according to the Procedure regarding non-retail exposures in default 1.4.1.01-9, based on the DPDC application.

The relative materiality threshold for non-retail customers with overdue exposures is calculated by relating the total amount of overdue amounta to the total value of the balance sheet exposure excluding exposures from equity securities.

The counting of the DPD starts only when the total value of the overdue amounts exceeds the materiality threshold detailed above (cumulative condition on the 2 absolute and relative values). If the overdue amounts are partially or fully reimbursed so that this materiality threshold is no longer met, then the DPD is reset to 0. Only if the conditions of exceeding the materiality threshold are met again, is the counting resumes from 0.

Specific cases of DPD-counting:

- Where the credit arrangement explicitly allows the obligor to change the schedule, suspend or postpone the payments under certain conditions and the obligor acts within the rights granted in the contract, the changed, suspended or postponed instalments must not be considered past due, but the counting of days past due has to be based on the new schedule once it is specified. Nevertheless if the obligor changes the schedule, suspends or postpones the payments, the reasons for such a change must be analysed and the possible indications of unlikeliness to pay to be assessed.

Where there are modifications of the schedule of credit obligation, the counting of days past due must be based on the modified schedule of payments.

- Where the repayment of the obligation is the subject of a dispute between the obligor and the RBI unit, the counting of days past due may be suspended until the dispute is resolved, where at least one of the following conditions is met:
  - a) the dispute between the obligor and the NWU/RBI over the existence or amount of the credit obligation has been introduced to a court or another formal procedure performed by a dedicated external body that results in a binding ruling in accordance with the applicable legal framework in the relevant jurisdiction;

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<sup>8</sup> EBA/GL/2016/07 section 3, chapter 5 Indications of unlikeliness to pay; article 44 Sale of credit obligation

b) in the specific case of leasing, a formal complaint has been directed to the credit institution about the object of the contract and the merit of the complaint has been confirmed by independent internal audit, internal validation or another comparable independent auditing unit.

- Where the obligor changes due to an event such as a merger or acquisition of the obligor or any other similar transaction, the counting of days past due must start from the moment a different person or entity becomes obliged to pay the obligation. The counting of days past due is, instead, unaffected by a change in the obligor's name.
- Where the repayment of the obligation is suspended because of a law allowing this option or other legal restrictions, the counting of days past due must also be suspended during that period. Nevertheless, in such situations, it should be analysed, where possible, the reasons for exercising the option for such a suspension and should assess the possible indications of unlikelihood to pay.

The classification of the obligor to a defaulted status must not be subject to additional expert judgement. Once the obligor meets the past due criterion all exposures to that obligor are considered defaulted, unless a so called 'erroneous defaults' is considered to have occurred, in accordance with chapter **Error! Reference source not found.**<sup>9</sup>

#### **D9 – License withdrawn**

Occurs when the license of a Financial Institution is withdrawn by the competent authorities, equivalent to the initiation of insolvency / bankruptcy proceedings for a normal non-retail client.

#### **D10 – Payment moratorium**

Occurs when a moratorium on all external payments is imposed by local authorities and the counterparts of the State and Public Institutions can no longer transfer funds abroad.

#### **D11 – Expected economic loss:**

D11 is a general default classification where an economic loss for the bank is expected.

This classification has only to be used when no other classification can be used.

D11 also includes the event of "value adjustment resulting from a significant perceived decline in credit quality subsequent to the credit institution taking on the exposure".

Moreover, EBA regulates in article 58 EBA/GL/2016/07 that institutions should specify in their internal policies and procedures also other additional indications of unlikelihood to pay of an obligor, besides those specified in Article 178(3) of Regulation (EU) No 575/2013. RBI applies the indicators specified by the regulator based on internal or external information as follows:

##### on the basis of internal information

- a borrower's sources of recurring income are no longer available to meet the payments of instalments;
- there are justified concerns about a borrower's future ability to generate stable and sufficient cash flows;
- the borrower's overall leverage level has significantly increased or there are justified expectations of such changes to leverage;

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<sup>9</sup> EBA/GL/2016/07 section 3, chapter 4 Past due creation in the identification of default; article 16-22

Counting of days past due

- the borrower has breached the covenants of a credit contract;
- the institution has called any collateral including a guarantee;

on the basis of external information

- significant delays in payments to other creditors have been recorded in the relevant credit register;
- a crisis of the sector in which the counterparty operates combined with a weak position of the counterparty in this sector;
- disappearance of an active market for a financial asset because of the financial difficulties of the debtor;
- an institution has information that a third party, in particular another institution, has filed for bankruptcy or similar protection of the obligor.

The occurrence of the above mentioned additional indications of unlikelihood to pay triggers a case-by-case assessment and is covered in the RBI impairment process as regulated in the chapter 2.2 Impairment Default trigger check of the current version of the SUP Impairment (trigger) test and individual loan loss provision calculation (Non-Retail).

D11 includes also cases where financial asset was purchased or originated by RBI/NWUs at a material discount. In this case it must be assessed whether that discount reflects the deteriorated credit quality of the obligor and whether there are any indications of default. The assessment of unlikelihood to pay refers to the total amount owed by the obligor regardless of the price that the institution has paid for the asset. This assessment may be based on the due diligence performed before the purchase of the asset or on the analysis performed for the accounting purposes in order to determine whether the asset is credit-impaired. The purchase or origination of a financial asset at a material discount is treated as a potential indication of impairment for accounting purposes<sup>10</sup>.

D11 expected economic loss also includes confirmed credit fraud identified before any other default trigger has been recognized. Typically, when credit fraud is identified, the exposure is already defaulted. However, if the credit fraud has been identified for non-defaulted debtor, the situation has to be analysed for potential indications of unlikelihood to pay and could lead to default in case there is a loss as a result of the credit fraud driven by material delay in payment of the debtor or any other indicator of unlikelihood to pay in accordance with Article 178 of the CRR.<sup>11</sup>

Please be aware that as default recognition is always related to 'primary source', Collateral Coverage cannot prevent a default event – i.e. default is given if economic loss is expected irrespective if an ILLP is assigned to the customer or not. Moreover, cases when the bank is forced to realise the collateral due to the fact that the borrower is not able to meet his obligation are also to be considered as expected loss (D11) default event.

### **D12 – Cross default:**

If a borrower has active credit relationships with several units of the RBI Group, the exposure / exposures are treated as being in a “cross default”, even if only in one of the units it meets the criteria

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<sup>10</sup> EBA/GL/2016/07 section 3, chapter 5 Indications of unlikelihood to pay; article 62 Other indications of unlikelihood to pay

<sup>11</sup> EBA/GL/2016/07 section 3, chapter 5 Indications of unlikelihood to pay; article 63 Other indications of unlikelihood to pay

of the default definition. Unused limits in one unit cannot be used to compensate for overdrafts in another unit.

The information regarding the “cross default status” is entered accordingly in the DDB, according to the internal procedure in maximum 2 working days from the date of declaring the initial default status.

For the purpose of the default recognition debtors in “financial difficulty” are identified in the course of the internal Early Warning System (EWS) process, as defined in chapter 3.1 of the SUP 2015-0173 Functional Instruction Forbearance and Non-performing Exposure (Non-Retail).1.

A reduction in the accounting value by direct write-off of the debt or the establishment of a provision caused by the state intervention that is applied regardless of the credit risk presented by the debtor does not represent an indicator of the default status.

**The output of statistical rating models (Corporations, Large Corporations, SMEs and Financial Institutions)** is an individual probability of default (PD) on a scale of 0 to 1 allocated to each client. PDs are recalibrated based on average long-term default rates (DRs). A margin of prudence is added to reach the final result. Based on this PD, clients are assigned to rating classes; minimum and maximum limits for the probability of default are defined for each rating class. Only one representative PD value for each rating class shall be used for the calculation of risk-weighted assets.

For low-default portfolios – Central Administrations and Insurance Companies – which have a very small number of default cases, default information from Moody's Credit Risk Calculator is used since January 1983. These data are adjusted to reflect in a prudent manner the specifics of the RBI Group portfolio and the Group's history of default events.

For the low-default portfolio Collective Placement Organizations the probabilities of default for a period of 12 months are estimated on the basis of external credit risk ratings and an internal analysis of the degree of indebtedness.

The quality of the process and the results of the PD estimate is checked annually in the validation process comparing the historically estimated PDs with the DRs observed at the rating class level. If this comparison does not lead to a satisfactory result, additional analyses are necessary, which can lead to the adaptation of the central trend used, if deemed necessary.

#### **Retail customer rating models:**

Default probabilities (PD) are estimated internally. Probability of default, refers to a period of 12 months and contains an appropriate prudential margin. The estimation of default probabilities for a period of 12 months is based on the internal definition of default.

Default definition is described in the internal Default Definition Policy for Retail and is in line with the regulation provisions of *Regulation EU No. 575/2013 (CRR)*, *EBA Guidelines on the application of the definition of default (GL on Default Definition)* and *EBA Regulatory Technical Standards on the materiality threshold of past due credit obligations (RTS on Materiality Threshold)*; *NBR regulations: Regulation no.5/2013 supplemented by provisions in Regulation no.5/2018 (“REGULAMENT privind modificarea și completarea Regulamentului Băncii Naționale a României nr. 5/2013 privind cerințele prudentiale pentru instituțiile de credit, cu modificările și completările ulterioare”)*.

The output of statistical rating models (Micro/PF) is an individual probability of default (PD) on a scale of 0 to 1 allocated to each client or account. Each client/account in the portfolio is assessed monthly by means of a score, on the basis of which it is allocated to the corresponding rating class. The value of PD associated with the rating class shall be used for the calculation of risk-weighted assets.

The models used in the rating allocation process (scorecards, PD, LGD, CF) are validated with a quarterly frequency. Their review is carried out by the Credit Risk and Validation Methodology Department, fulfilling the condition of independence from the modeling officers, respectively the Department of Credit and Modeling Portfolio Analysis. The review (periodic validation) of the models is carried out with an annual frequency, and the resulting documentation is subject to validation in a validation committee at the level of the RBI Group.

#### **Changes of the Retail Rating systems:**

Changes of the rating systems are analyzed on a permanent basis, according to internal norms and procedures, according to Regulation no. 529/2014. Modifications that are classified as ex-post (according to the criteria from the mentioned regulation) are analyzed and notified by the Credit Risk Methodology and Validation Department, on a semi-annual basis. Modifications that are classified as ex-ante, which require notification and /or approval of the regulation authorities prior implementation are documented and approved in the Model and Validation Committee. Afterwards they are communicated and agreed with RBI and notified further to the regulation authorities.

For 2019, there has been a material application, submitted by RBI in relation to the change of the default definition, in accordance with the EBA standardized guidelines. The change of default definition has been approved and is live since November 2019. There have also been an ex-post notification, in relation to the implementation of collection scorecards and an ex-ante notification in relation to the update of the periodic validation concept papers for Retail.

#### **B.5. Significant deviations from the definition of default**

This is not the case, the definition of default used by Raiffeisen Bank S.A. is in accordance with the above mentioned regulatory provisions.

### C. Credit exposure breakdown

In the following tables, as of 31 Decembrie 2019 total exposures value, value of exposures as a result of risk mitigation techniques and prior conversion factors, as well as the used average risk share and value adjustment of volume and provisions related to exposures for which the capital request is determined by applying the Approach based on rating internal models:

**Table 35.**

Bank – in Ron thousands	Risk exposure*	Exposure after CRM	Average RWA	Capital charge	Credit value adjustments*
IRB Approach	41,217,366	39,988,276	47%	1,242,239	1,335,657
F-IRB Approach	21,304,938	21,467,464	54%	671,767	369,564
Exposure to central governments and central banks	4,840,963	5,445,102	8%	35,532	192
Exposure to institutions	2,137,875	2,202,187	30%	12,444	21
Exposure to corporates -IMM	6,564,667	6,152,213	78%	251,091	178,541
Exposure to corporates - specialised lending	2,349,719	2,349,719	65%	115,267	99,695
Exposure to corporates - Others	5,411,714	5,318,244	95%	257,433	91,116
A-IRB Approach	19,741,783	18,360,957	40%	554,600	966,092
Retail Exposure - SME secured by immovable property	0	0	0%	0	0
Retail Exposure - secured by immovable property	7,466,813	6,085,987	34%	166,716	395,794
Retail Exposure- qualifying revolving	4,343,018	4,343,018	18%	46,879	57,498
Retail Exposure -SME	1,400,807	1,400,807	41%	45,115	119,443
Retail Exposure - other	6,531,145	6,531,145	57%	295,890	393,357
Equity	159,854	159,854	-	15,872	0
Securitization	10,790	0	0%	0	0
here of: resecuritization	0	0	-	0	0
Others	0	0	-	0	0

\* EAD ( gross exposures) and credit value adjustments determined based on prudential requirements - local standards (stop accruals are not applied)



Group – in Ron thousands	EAD*	Exposure after CRM	Average RWA	Capital charge	Credit value adjustments*
IRB Approach	41,113,482	39,884,392	47%	1,232,310	1,335,657
F-IRB Approach	21,292,938	21,455,464	54%	671,428	369,564
Exposure to central governments and central banks	4,840,963	5,445,102	8%	35,532	192
Exposure to institutions	2,125,875	2,190,187	29%	12,105	21
Exposure to corporates -IMM	6,564,667	6,152,213	78%	251,091	178,541
Exposure to corporates - specialised lending	2,349,719	2,349,719	65%	115,267	99,695
Exposure to corporates - Others	5,411,714	5,318,244	95%	257,433	91,116
A-IRB Approach	19,741,783	18,360,957	40%	554,600	966,092
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Retail Exposure - secured by immovable property	7,466,813	6,085,987	34%	166,716	395,794
Retail Exposure- qualifying revolving	4,343,018	4,343,018	18%	46,879	57,498
Retail Exposure -SME	1,400,807	1,400,807	41%	45,115	119,443
Retail Exposure - other	6,531,145	6,531,145	57%	295,890	393,357
Equity	67,971	67,971	-	6,282	0
Securitization	10,790	0	0%	0	0
here of: resecuritization	0	0	-	0	0
Others	0	0	-	0	0



Bank – in Ron thousands	Gross exposure		Average CCF	EAD post CRM & CCF	No of obligors	Average PD	Average LGD	RWA	RWA Density	EL	Value adjustments and provisions
	Original On-Balance Sheet exposure	Off-Balance Sheet exposure pre-CCF									
F-IRB Approach	14,281,927	7,023,011		15,554,370	6,206			8,397,083	54%	297,624	369,564
0,00 to <0,15	5,467,141	1,848,478	4%	6,219,003	341	0.0%	44%	643,812	10%	1,021	1,051
0,15 to <0,25	108,195	232,531	4%	107,818	248	0.2%	43%	30,018	28%	89	31
0,25 to <0,50	427,125	352,420	19%	478,591	329	0.4%	44%	262,946	55%	788	373
0,50 to <0,75	284,799	664,247	14%	365,069	194	0.6%	42%	223,970	61%	839	510
0,75 to <2,50	2,934,049	1,798,714	17%	3,126,832	1,089	1.8%	49%	2,886,377	92%	18,956	10,605
2,50 to <10,00	2,724,941	1,556,202	17%	2,631,029	1,210	2.2%	30%	2,887,284	110%	36,005	48,872
10,00 to <100,00	14,438	3,611	20%	14,914	2,183	29.0%	39%	21,834	146%	1,520	876
100,00 (Default)	375,638	162,688	15%	398,365	612	0.0%	0%	-	0%	174,684	207,552
Project finance	1,945,600	404,119	66%	2,212,748	-	0.0%	0%	1,440,842	0%	63,722	99,695
A-IRB Approach	16,620,796	3,120,987		17,229,804	1,259,358	0%		6,932,502	40%	727,674	966,092
0,00 to <0,15	112,694	651,528	59%	500,339	68,248	0.00%		12,499	2%	189	257
0,15 to <0,25	831,060	875,358	63%	1,379,473	165,198	0.14%		176,438	13%	1,125	2,759
0,25 to <0,50	8,697,437	870,449	63%	8,018,560	352,307	0.31%		1,830,111	23%	10,813	75,477
0,50 to <0,75	369,710	198,322	68%	505,494	40,576	0.33%		125,488	25%	1,633	2,468
0,75 to <2,50	3,942,924	352,331	73%	4,089,656	265,019	1.33%		2,371,887	58%	30,944	58,370
2,50 to <10,00	1,356,152	123,335	68%	1,406,286	93,810	5.36%		1,225,829	87%	40,103	73,860
10,00 to <100,00	323,925	38,539	68%	345,240	232,276	25.53%		491,358	142%	45,580	50,277
100,00 (Default)	986,893	11,127	55%	984,756	41,924	100.00%		698,892	71%	597,287	702,625

*\*a regulatory maturity of 2.5 ani (913 days) is used*

### Exposure to central governments and central banks

Bank – in Ron thousands	Gross exposure		Average CCF	EAD post CRM & CCF	No of obligors	Average PD	Average LGD	RWA	RWA Density	EL	Value adjustments and provisions
	Original On-Balance Sheet exposure	Off-Balance Sheet exposure pre-CCF									
F-IRB Approach	4,822,392	18,572		5,430,244	5			444,149	8%	806	192
0,00 to <0,15	4,822,392	18,572	20%	5,430,244	5	0.3%	45%	444,149	8%	806	192
0,15 to <0,25	-	-	0%	-	-	0.0%	0.0%	-	0%	-	-
0,25 to <0,50	-	-	0%	-	-	0.0%	0.0%	-	0%	-	-
0,50 to <0,75	-	-	0%	-	-	0.0%	0.0%	-	0%	-	-
0,75 to <2,50	-	-	0%	-	-	0.0%	0.0%	-	0%	-	-
2,50 to <10,00	-	-	0%	-	-	0.0%	0.0%	-	0%	-	-
10,00 to <100,00	-	-	0%	-	-	0.0%	0.0%	-	0%	-	-
100,00 (Default)	-	-	0%	-	-	0.0%	0.0%	-	0%	-	-
Project finance	-	-	0%	-	-	0.0%	0.0%	-	0%	-	-
A-IRB Approach	-	-		-	-	0%		-	0%	-	-
0,00 to <0,15	-	-	0%	-	-	0.00%		-	0%	-	-
0,15 to <0,25	-	-	0%	-	-	0.00%		-	0%	-	-
0,25 to <0,50	-	-	0%	-	-	0.00%		-	0%	-	-
0,50 to <0,75	-	-	0%	-	-	0.00%		-	0%	-	-
0,75 to <2,50	-	-	0%	-	-	0.00%		-	0%	-	-
2,50 to <10,00	-	-	0%	-	-	0.00%		-	0%	-	-
10,00 to <100,00	-	-	0%	-	-	0.00%		-	0%	-	-
100,00 (Default)	-	-	0%	-	-	0.00%		-	0%	-	-

## Institution

Bank – in Ron thousands	Gross exposure		Average CCF	EAD post CRM & CCF	No of obligors	Average PD	Average LGD	RWA	RWA Density	EL	Value adjustments and provisions
	Original On-Balance Sheet exposure	Off-Balance Sheet exposure pre-CCF									
F-IRB Approach	394,301	1,743,574		523,643	141			155,553	30%	159	21
0,00 to <0,15	377,911	1,636,275	3%	498,201	92	0.1%	40.9%	137,273	28%	126	16
0,15 to <0,25	1,892	80,599	5%	5,604	15	0.2%	0.0%	3,116	56%	4	1
0,25 to <0,50	14,498	26,310	20%	19,760	4	0.3%	0.0%	15,030	76%	26	4
0,50 to <0,75	-	-	0%	-	1	0.0%	0.0%	-	0%	-	-
0,75 to <2,50	-	-	0%	-	3	0.0%	0.0%	-	0%	-	-
2,50 to <10,00	0	390	20%	78	26	0.0%	0.0%	134	172%	2	0
10,00 to <100,00	-	-	0%	-	-	0.0%	0.0%	-	0%	-	-
100,00 (Default)	-	-	0%	-	-	0.0%	0.0%	-	0%	-	-
Project finance	-	-	0%	-	-	0.0%	0.0%	-	0%	-	-
A-IRB Approach	-	-		-	-	0%		-	0%	-	-
0,00 to <0,15	-	-	0%	-	-	0.00%		-	0%	-	-
0,15 to <0,25	-	-	0%	-	-	0.00%		-	0%	-	-
0,25 to <0,50	-	-	0%	-	-	0.00%		-	0%	-	-
0,50 to <0,75	-	-	0%	-	-	0.00%		-	0%	-	-
0,75 to <2,50	-	-	0%	-	-	0.00%		-	0%	-	-
2,50 to <10,00	-	-	0%	-	-	0.00%		-	0%	-	-
10,00 to <100,00	-	-	0%	-	-	0.00%		-	0%	-	-
100,00 (Default)	-	-	0%	-	-	0.00%		-	0%	-	-

## Corporate

Bank – in Ron thousands	Gross exposure		Average CCF	EAD post CRM & CCF	No of obligors	Average PD	Average LGD	RWA	RWA Density	EL	Value adjustments and provisions
	Original On-Balance Sheet exposure	Off-Balance Sheet exposure pre-CCF									
F-IRB Approach	3,094,386	2,317,327		3,382,223	2,321			3,217,908	95%	100,191	91,116
0,00 to <0,15	184,784	56,891	22%	209,901	22	0.1%	52.7%	49,561	24%	59	833
0,15 to <0,25	217	14,014	1%	376	7	0.2%	7.5%	31	8%	0	0
0,25 to <0,50	235,144	185,299	26%	283,014	14	0.4%	44.7%	182,658	65%	485	175
0,50 to <0,75	122,663	540,359	13%	190,823	16	0.6%	42.7%	139,666	73%	450	206
0,75 to <2,50	1,476,968	740,251	19%	1,624,698	165	2.4%	53.3%	1,699,895	105%	9,636	5,223
2,50 to <10,00	911,057	690,846	13%	893,201	260	2.1%	30.9%	1,142,037	128%	11,310	33,822
10,00 to <100,00	1,646	1,097	33%	2,007	1,386	8891.2%	3910.9%	4,060	202%	129	30
100,00 (Default)	161,906	88,572	19%	178,204	451	100.0%	43.8%	-	0%	78,123	50,826
Project finance	-	-		-	-	0%		-	0%	-	-
A-IRB Approach	-	-		-	-	0%		-	0%	-	-
0,00 to <0,15	-	-	0%	-	-	0.00%		-	0%	-	-
0,15 to <0,25	-	-	0%	-	-	0.00%		-	0%	-	-
0,25 to <0,50	-	-	0%	-	-	0.00%		-	0%	-	-
0,50 to <0,75	-	-	0%	-	-	0.00%		-	0%	-	-
0,75 to <2,50	-	-	0%	-	-	0.00%		-	0%	-	-
2,50 to <10,00	-	-	0%	-	-	0.00%		-	0%	-	-
10,00 to <100,00	-	-	0%	-	-	0.00%		-	0%	-	-
100,00 (Default)	-	-	0%	-	-	0.00%		-	0%	-	-

## Project finance

Bank – in Ron thousands	Gross exposure		Average CCF	EAD post CRM & CCF	No of obligors	Average PD	Average LGD	RWA	RWA Density	EL	Value adjustments and provisions
	Original On-Balance Sheet exposure	Off-Balance Sheet exposure pre-CCF									
F-IRB Approach	1,945,600	404,119		2,212,748	51			1,440,842	65%	63,722	99,695
0,00 to <0,15	-	-	0%	-	-	0%	0%	-	0%	-	-
0,15 to <0,25	-	-	0%	-	-	0%	0%	-	0%	-	-
0,25 to <0,50	-	-	0%	-	-	0%	0%	-	0%	-	-
0,50 to <0,75	-	-	0%	-	-	0%	0%	-	0%	-	-
0,75 to <2,50	-	-	0%	-	-	0%	0%	-	0%	-	-
2,50 to <10,00	-	-	0%	-	-	0%	0%	-	0%	-	-
10,00 to <100,00	-	-	0%	-	-	0%	0%	-	0%	-	-
100,00 (Default)	-	-	0%	-	-	0%	0%	-	0%	-	-
Project finance	1,945,600	404,119	66%	2,212,748	51	0%	0%	1,440,842	0%	63,722	99,695
A-IRB Approach	-	-		-	-	0%		-	0%	-	-
0,00 to <0,15	-	-	0%	-	-	0.00%		-	0%	-	-
0,15 to <0,25	-	-	0%	-	-	0.00%		-	0%	-	-
0,25 to <0,50	-	-	0%	-	-	0.00%		-	0%	-	-
0,50 to <0,75	-	-	0%	-	-	0.00%		-	0%	-	-
0,75 to <2,50	-	-	0%	-	-	0.00%		-	0%	-	-
2,50 to <10,00	-	-	0%	-	-	0.00%		-	0%	-	-
10,00 to <100,00	-	-	0%	-	-	0.00%		-	0%	-	-
100,00 (Default)	-	-	0%	-	-	0.00%		-	0%	-	-

## Corporate SME

Bank – in Ron thousands	Gross exposure		Average CCF	EAD post CRM & CCF	No of obligors	Average PD	Average LGD	RWA	RWA Density	EL	Value adjustments and provisions
	Original On-Balance Sheet exposure	Off-Balance Sheet exposure pre-CCF									
F-IRB Approach	4,025,249	2,539,419		4,005,510	3,740			3,138,632	78%	132,745	178,541
0,00 to <0,15	82,055	136,807	7%	80,670	224	0.1%	56.8%	12,830	16%	29	10
0,15 to <0,25	106,086	137,918	5%	101,838	226	0.2%	43.1%	26,871	26%	85	30
0,25 to <0,50	177,483	140,812	9%	175,817	311	0.4%	42.9%	65,258	37%	277	194
0,50 to <0,75	162,136	123,888	18%	174,247	179	0.6%	40.5%	84,304	48%	389	304
0,75 to <2,50	1,457,081	1,058,463	15%	1,502,134	920	2.0%	54.1%	1,186,482	79%	9,320	5,382
2,50 to <10,00	1,813,883	864,900	20%	1,737,737	929	2.1%	27.7%	1,745,113	100%	24,693	15,050
10,00 to <100,00	12,793	2,515	14%	12,908	790	32.0%	42.8%	17,774	138%	1,391	846
100,00 (Default)	213,732	74,116	10%	220,160	161	100.0%	43.9%	-	0%	96,561	156,726
Project finance	-	-	0%	-	-	0.0%	0.0%	-	0%	-	-
A-IRB Approach	-	-		-	-	0%		-	0%	-	-
0,00 to <0,15	-	-	0%	-	-	0.00%		-	0%	-	-
0,15 to <0,25	-	-	0%	-	-	0.00%		-	0%	-	-
0,25 to <0,50	-	-	0%	-	-	0.00%		-	0%	-	-
0,50 to <0,75	-	-	0%	-	-	0.00%		-	0%	-	-
0,75 to <2,50	-	-	0%	-	-	0.00%		-	0%	-	-
2,50 to <10,00	-	-	0%	-	-	0.00%		-	0%	-	-
10,00 to <100,00	-	-	0%	-	-	0.00%		-	0%	-	-
100,00 (Default)	-	-	0%	-	-	0.00%		-	0%	-	-

### Retail Exposure - secured by immovable property

Bank – in Ron thousands	Gross exposure		Average CCF	EAD post CRM & CCF	No of obligors	Average PD	Average LGD	RWA	RWA Density	EL	Value adjustments and provisions
	Original On-Balance Sheet exposure	Off-Balance Sheet exposure pre-CCF									
F-IRB Approach	-	-		-	-			-	0%	-	-
0,00 to <0,15	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,15 to <0,25	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,25 to <0,50	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,50 to <0,75	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,75 to <2,50	-	-	0%	-	-	0.0%	0%	-	0%	-	-
2,50 to <10,00	-	-	0%	-	-	0.0%	0%	-	0%	-	-
10,00 to <100,00	-	-	0%	-	-	0.0%	0%	-	0%	-	-
100,00 (Default)	-	-	0%	-	-	0.0%	0%	-	0%	-	-
Project finance	-	-	0%	-				-	0%	-	-
A-IRB Approach	7,461,115	5,698		6,085,987	50,514	0%		2,083,955	34%	159,134	395,794
0,00 to <0,15	-	-	0%	-	-	0.00%		-	0%	-	-
0,15 to <0,25	-	-	0%	-	-	0.00%		-	0%	-	-
0,25 to <0,50	6,134,053	4,266	0%	4,913,852	42,477	0.29%		987,344	0%	5,152	60,651
0,50 to <0,75	-	-	0%	-	-	0.00%		-	34%	-	-
0,75 to <2,50	557,986	575	0%	448,528	3,457	1.25%		259,272	0%	2,125	14,527
2,50 to <10,00	217,710	216	0%	184,791	1,414	4.76%		214,730	0%	3,063	20,100
10,00 to <100,00	76,156	-	100%	71,224	483	24.14%		146,902	20%	6,082	12,059
100,00 (Default)	475,210	642	0%	467,592	2,683	100.00%		475,708	0%	142,711	288,458

### Retail Exposure- qualifying revolving

Bank – in Ron thousands	Gross exposure		Average CCF	EAD post CRM & CCF	No of obligors	Average PD	Average LGD	RWA	RWA Density	EL	Value adjustments and provisions
	Original On-Balance Sheet exposure	Off-Balance Sheet exposure pre-CCF									
F-IRB Approach	-	-		-	-			-	0%	-	-
0,00 to <0,15	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,15 to <0,25	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,25 to <0,50	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,50 to <0,75	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,75 to <2,50	-	-	0%	-	-	0.0%	0%	-	0%	-	-
2,50 to <10,00	-	-	0%	-	-	0.0%	0%	-	0%	-	-
10,00 to <100,00	-	-	0%	-	-	0.0%	0%	-	0%	-	-
100,00 (Default)	-	-	0%	-	-	0.0%	0%	-	0%	-	-
Project finance	-	-	0%	-				-	0%	-	-
A-IRB Approach	1,568,788	2,774,230		3,232,107	709,063	0%		585,984	18%	57,484	57,498
0,00 to <0,15	112,694	651,528	59%	500,339	68,248	0.00%		12,499	2%	189	257
0,15 to <0,25	197,663	776,921	60%	660,297	144,853	0.14%		26,278	4%	436	783
0,25 to <0,50	328,488	808,714	60%	816,940	219,072	0.32%		68,226	8%	1,317	2,921
0,50 to <0,75	159,641	117,677	50%	217,982	38,530	0.67%		38,365	18%	863	1,845
0,75 to <2,50	510,465	277,218	66%	693,286	151,227	1.46%		194,729	28%	5,361	7,211
2,50 to <10,00	179,327	108,420	62%	246,499	57,258	5.23%		159,448	65%	6,382	5,005
10,00 to <100,00	41,485	23,750	47%	52,760	18,713	24.12%		71,265	135%	6,099	3,227
100,00 (Default)	39,025	10,004	50%	44,004	11,162	100.00%		15,174	34%	36,836	36,249



## Retail Exposure -SME

Bank – in Ron thousands	Gross exposure		Average CCF	EAD post CRM & CCF	No of obligors	Average PD	Average LGD	RWA	RWA Density	EL	Value adjustments and provisions
	Original On-Balance Sheet exposure	Off-Balance Sheet exposure pre-CCF									
F-IRB Approach	-	-	-	-	-	-	-	-	0%	-	-
0,00 to <0,15	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,15 to <0,25	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,25 to <0,50	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,50 to <0,75	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,75 to <2,50	-	-	0%	-	-	0.0%	0%	-	0%	-	-
2,50 to <10,00	-	-	0%	-	-	0.0%	0%	-	0%	-	-
10,00 to <100,00	-	-	0%	-	-	0.0%	0%	-	0%	-	-
100,00 (Default)	-	-	0%	-	-	0.0%	0%	-	0%	-	-
Project finance	-	-	0%	-	-	-	-	-	0%	-	-
A-IRB Approach	1,059,749	341,058		1,380,566	31,499	0%		563,934	41%	134,430	119,443
0,00 to <0,15	-	-	0%	-	-	0.00%		-	0%	-	-
0,15 to <0,25	48,018	98,437	87%	133,797	1,563	0.16%		18,945	14%	108	185
0,25 to <0,50	101,488	57,469	92%	154,360	1,043	0.30%		33,281	22%	234	196
0,50 to <0,75	209,905	80,645	96%	287,348	1,992	0.53%		87,036	30%	769	621
0,75 to <2,50	352,046	74,539	98%	425,414	3,127	1.39%		195,666	46%	2,994	2,278
2,50 to <10,00	146,606	14,699	108%	162,486	1,242	4.82%		97,344	60%	3,951	2,597
10,00 to <100,00	75,461	14,789	101%	90,433	15,038	27.74%		87,615	97%	12,665	5,402
100,00 (Default)	126,226	481	104%	126,728	7,494	100.00%		44,046	35%	113,710	108,163

## Retail – Others

Bank – in Ron thousands	Gross exposure		Average CCF	EAD post CRM & CCF	No of obligors	Average PD	Average LGD	RWA	RWA Density	EL	Value adjustments and provisions
	Original On-Balance Sheet exposure	Off-Balance Sheet exposure pre-CCF									
F-IRB Approach	-	-	-	-	-	-	-	-	0%	-	-
0,00 to <0,15	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,15 to <0,25	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,25 to <0,50	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,50 to <0,75	-	-	0%	-	-	0.0%	0%	-	0%	-	-
0,75 to <2,50	-	-	0%	-	-	0.0%	0%	-	0%	-	-
2,50 to <10,00	-	-	0%	-	-	0.0%	0%	-	0%	-	-
10,00 to <100,00	-	-	0%	-	-	0.0%	0%	-	0%	-	-
100,00 (Default)	-	-	0%	-	-	0.0%	0%	-	0%	-	-
Project finance	-	-	0%	-	-	-	-	-	0%	-	-
A-IRB Approach	6,531,145	-	-	6,531,145	468,282	0%	-	3,698,628	57%	376,626	393,357
0,00 to <0,15	-	-	0%	-	-	0.00%	-	-	0%	-	-
0,15 to <0,25	585,379	-	0%	585,379	18,782	0.17%	-	131,215	22%	581	1,791
0,25 to <0,50	2,133,408	-	0%	2,133,408	89,715	0.33%	-	741,260	35%	4,109	11,709
0,50 to <0,75	165	-	0%	165	54	0.67%	-	87	53%	1	2
0,75 to <2,50	2,522,428	-	0%	2,522,428	107,208	1.39%	-	1,722,221	68%	20,464	34,354
2,50 to <10,00	812,509	-	0%	812,509	33,896	5.63%	-	754,307	93%	26,707	46,158
10,00 to <100,00	130,823	-	0%	130,823	198,042	27.14%	-	185,576	142%	20,735	29,588
100,00 (Default)	346,432	-	0%	346,432	20,585	100.00%	-	163,963	47%	304,030	269,754

As of 31 Decembrie 2019, project finance exposure split based on the risk weights were as follows:  
**Table 36.**

Bank & Group – in Ron thousands			
Project finance** RW):	Risk exposure*	Exposure after CCF & CRM	Capital charge
0 %	1,885,043	1,885,043	1,108,343
50%	297,413	297,413	267,671
70%	56,852	56,852	64,828
90%	0	0	0
115%	110,411	110,411	0
250%	1,885,043	1,885,043	1,108,343

\* \* EAD ( gross exposures) determined based on prudential requirements - local standards (stop accruals are not applied)

\*\* classified under Exposure to corporates - specialised lending"

## 23. Article 453 CRR Credit risk mitigation

### *A. Risk mitigation techniques – management and recognition*

The following section outlines the policies and processes for collateral valuation and management in Raiffeissen Bank SA

There are rules of eligibility, appraisal and discounting of the values assigned to the most important and frequently used collateral and guarantees, such as mortgages and pledges, financial collateral, receivables, letters of guarantees and securities.

Collateral is only used for credit risk mitigation purposes, if the following conditions are fulfilled:

1. the collateral is legally enforceable under the applicable jurisdiction
2. there is a sustainable market value of the collateral
3. possibility of realization and willingness to realize
4. there is no significant correlation between the quality of the secured exposure and the value of the collateral, i.e. the collateral value is not linked to the creditworthiness of the borrower

In such case the collateral original CCY differs from the loan CCY a FX haircut has to be applied to market value of the collateral.

In case of maturity mismatch (protection maturity is shorter than loan maturity) the risk protection shall not be recognized if the initial maturity of the protection is lower than 1 year or the collateral residual maturity is lower than 3 months. If the guarantor has the option to terminate the protection, the collateral maturity must be the nearest date of contractual termination. In these cases a maturity mismatch discount is to be applied to the collateral value

Volatility discounts, FX haircuts or maturity mismatch are the ones within CRR and are automatically applied by the bank systems.

The assessment of the guarantees is provided by the bank personnel, which is independent regarding the approval process and has the necessary ability and competences (for estate properties and facilities the bank employs authorized assessors, according to the legislation applicable in Romania)

Regular evaluations make sure that the revaluation of the collateral is done at least once a year. Minimum revaluation frequency for financial collateral is 6 months. If required (e.g. change of market situation) a revaluation is done more often. Regarding financial collateral a revaluation at current market prices is done automatically on a daily basis. A longer revaluation interval leads to higher discounts.

Collateral valuation is based on current market prices, with an amount that can be recovered within a reasonable period taken into account. The methods of calculating the value and the setting of the haircut are specified by Collateral Management

The following types of collateral are accepted:

## ***B. Financial Collateral***

Financial Collateral is used for economic capital calculation under the minimum eligibility criteria of CRR

**Types of financial collateral and their valuation:**

### **B.1. Cash collateral**

Cash Collateral consists of a deposit held within Raiffeisen Bank SA or with other credit institution. The Collateral value is the deposit value in relevant CCY. For the cash held with Raiffeisen Bank SA there is no discount to be applied but for the cash held with other credit institution, a discount is applied based on FI RBI internal rating.

### **B.2. Debt Securities and receivables**

The following types of debt securities are used as credit mitigants:

Debt securities issued by central governments or central banks, which have a rating equal or better than credit quality step 4 (equals BB- or better S&P rating);

- Debt securities issued by international organisations with risk weight of 0 %
- Debt securities issued by institutions which have a rating equal or better than credit quality step 3 (equals S&P rating of BBB- or better)
- Debt securities which have a rating equal or better than credit quality step 3 (equals S&P rating of BBB- or better)
- Debt securities issued by institutions (mainly banks) which are not rated, but under the CRR criteria (for example: they are listed on a recognised exchange, the lending bank has no information that this debt security would justify a rating below credit quality step 3 etc)

Nominal collateral value is the mark-to-market value on the Stock Exchange and has to be regularly updated.

### **B.3. Equities and convertible bonds**

Equities or convertible bonds which are listed on a recognised exchange are recognized as risk mitigants.

Nominal collateral value is the mark-to-market value on the Stock Exchange and has to be regularly updated. The volatility adjustment for equities and convertible bonds is not dependent on external ratings but whether these securities are included in a main index (ex: DAX, Mdx, SDax, NEMAX, TecDAX, DowJones (DJI), S+P 500, Euro Stoxx, Nasdaq, etc) or listed on a recognised exchange (if not included in a main index).

## Effect on credit risk mitigation

Apart from cash deposits held by a third party bank, all financial collateral provided as security reduces the LGD (Loss Given Default) to 0 per cent for the respective collateral market value reduced by the haircut according to the above described criteria.

Regarding cash deposits held by a third party bank, the PD (Probability of Default) of the borrower is replaced by the PD of the third party bank.

### *C. Tangible collateral (Real estate collateral)*

Tangible collateral is considered as credit risk mitigant and used for Economic Capital calculation under the CRR eligibility criteria.

#### Types of tangible collateral and valuation approaches

Raiffeisen Bank uses as credit risk mitigant the following collateral types:

- **Residential Real-estates** defined as properties that are or will be used by or rented by the owner for residential purposes
- **Commercial Real-estates** that are defined as offices, retail areas and other types that represents commercial developments.

According to National Bank of Romania explanations, plot of lands free of constructions are assimilated to "Other RE collateral" therefore are not eligible for credit risk mitigation.

Any other type of real-estate is included in "Other types of RE" category and cannot be used as risk mitigants.

Tangible collateral like movables and inventories are included in Other Physical Collateral and are not eligible for credit risk mitigation.

#### RE valuation

Nominal collateral value is market value of the property.

*Market Value* is the estimated amount for which an *asset* or liability *should* exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion

Valuation and re-valuation of RE is made and documented according to National Valuation Standards for Assets and NBR regulations, and it is performed by certified appraisers (by ANEVAR) with certification of Real Estate Appraiser; valuers (either internal or external) are independent from the decision process

Valuation approaches used are those used by the international practice, and by the National Valuation Standards in force at valuation date and issued under the Romanian Law, and compliant with IVS. Approaches used are: market approach and income approach, with cost approach as control-method.

This value is further reduced by prior ranking liens. Nevertheless, Raiffeisen Bank Sa accept as collateral only real estates that free of encumbrances/ liens to a third party.

#### **Effect on credit risk mitigation**

For retail customers (PI and Micro) the bank has an internal process to measure LGD-loss given default, based on the historical statistics.

For the rest of the clients, the LGD-loss given default is the one regulated by CRR , thus an LGD of 35% is to be applied to the exposure covered 140% by the collateral value adjusted as shown before. In such case the exposure is not 140% - it is split in a covered amount (considering the threshold of 140%) and an uncovered amount. If the colateralisation degree is under 30% no LGD reduction can be applied.

#### ***D. Receivables***

The receivables are used as credit risk mitigants and considered in economic capital calculation under IRB approach only CRR criteria are met.

#### **Types of receivables and valuation technique**

The receivables can be used as credit mitigant if they are born by a commercial contract or contracts, with an original maturity under or equal to 1 year. Receivables born by securitization, under-participations, derivatives or by compania within the group are not eligible.

Receivable value is established by list of debtors or invoices, delivered by the client on regular basis, lists to be reviewed by the bank.

#### **Effect on credit risk mitigation**

The bank applies and LGD of 35% for the exposure covered 125% by receivables- except for Retail customers. In such case the exposure is not 125% - it is split in a covered amount (considering the threshold of 125%) and an uncovered amount.

#### ***E. Unfunded credit protection***

The unfunded credit protection is provided by the personal guarantees issued by the eligible protection providers as mentioned below.

### **Types of collateral and valuation approach**

Eligible protection providers for unfunded protection are:

central governments and central banks:

- regional governments or local authorities:
- multilateral development banks:
- International organisations with risk-weight of 0 %:
- public sector entities, if claims on that entity are treated like central governments
- institutions (which include mainly banks),
- other corporate entities having a valid internal rating

The value of unfunded protection is equal to the guaranteed amount, namely the amount that must be paid by the protection provider in case of default.

In such case the economic effectiveness of the guarantor is not OK, or the conditions stipulated in the letter of guarantee limit the obligation either the value of the protection is reduced accordingly or the protection is considered not eligible.

### **Unfunded protection by a counterguarantee**

In such case an unfunded protection is backed by another unfunded protection of one of the following providers, a PD change can be made between the guarantor and the counter-guarantor, provided that CRR eligibility criteria are met:

- central governments and central banks:
- regional governments or local authorities:
- multilateral development banks:
- international organisations with risk-weight of 0 %:
- public sector entities, if claims on that entity are treated like central governments

### **Effect on credit risk mitigation**

For the unfunded protected exposure, a PD change between debtor and guarantor can be made.



### F. Volume of recognized credit risk mitigation techniques

As of 31 December 2019, gross value of exposures covered by credit risk mitigation recognized techniques, post volatility and other value adjustments due to currency mismatch or maturity, applying prudential standards were as follows:

**Table 37.**

Bank – in Ron Thousand	Other	Real estate	Unfunded protection	Financial collaterals
<b>Exposure classes in STD</b>	-	30,650	38,232	96,051
Central governments or central banks	-	-	-	-
Regional government or local authorities	-	-	-	53,799
Public sector entities	-	-	-	-
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Institutions	-	-	-	-
Corporates	-	-	38,232	41,160
Retail	-	-	-	357
Secured by mortgages on immovable property	-	22,472	-	735
Exposures in default	-	8,178	-	-
Exposures associated with particularly high risk	-	-	-	-
Covered bonds	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-
Collective investment undertakings	-	-	-	-
Equity	-	-	-	-
Other items	-	-	-	-
<b>Exposure classes in IRB</b>	<b>36,892</b>	<b>7,976,663</b>	<b>2,002,632</b>	<b>517,695</b>
Exposure to central governments and central banks	-	-	-	-
Exposure to institutions	-	-	-	468
Exposure to corporates	36,892	509,850	611,016	452,186
Exposure to Retail	-	7,466,813	1,380,826	65,040
Equity	-	-	-	-
Securitization	-	-	10,790	-
Other exposure	-	-	-	-

**Table 38.** - Presentation of exposures according to the eligibility of the guarantees considered in determining the capital requirements

Eligible collaterals (CRM)	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	17,990,986	10,698,815	8,044,204	2,654,610	-
Total debt securities	7,004,042	-	-	-	-
Total exposures	24,995,029	10,698,815	8,044,204	2,654,610	-

## **24. Article 454 CRR Use of the advanced measurement approaches to operational risk**

This article does not apply to RBRO, because, currently, the method used to determine the level of capital adequate to the operational risk profile is calculated for local prudential purposes using the Standard Measurement Approach.

## **25. Article 455 CRR Use of internal models for market risk**

This article does not apply because Raiffeisen Bank S.A. does not use internal models to calculate the market risk capital requirement.

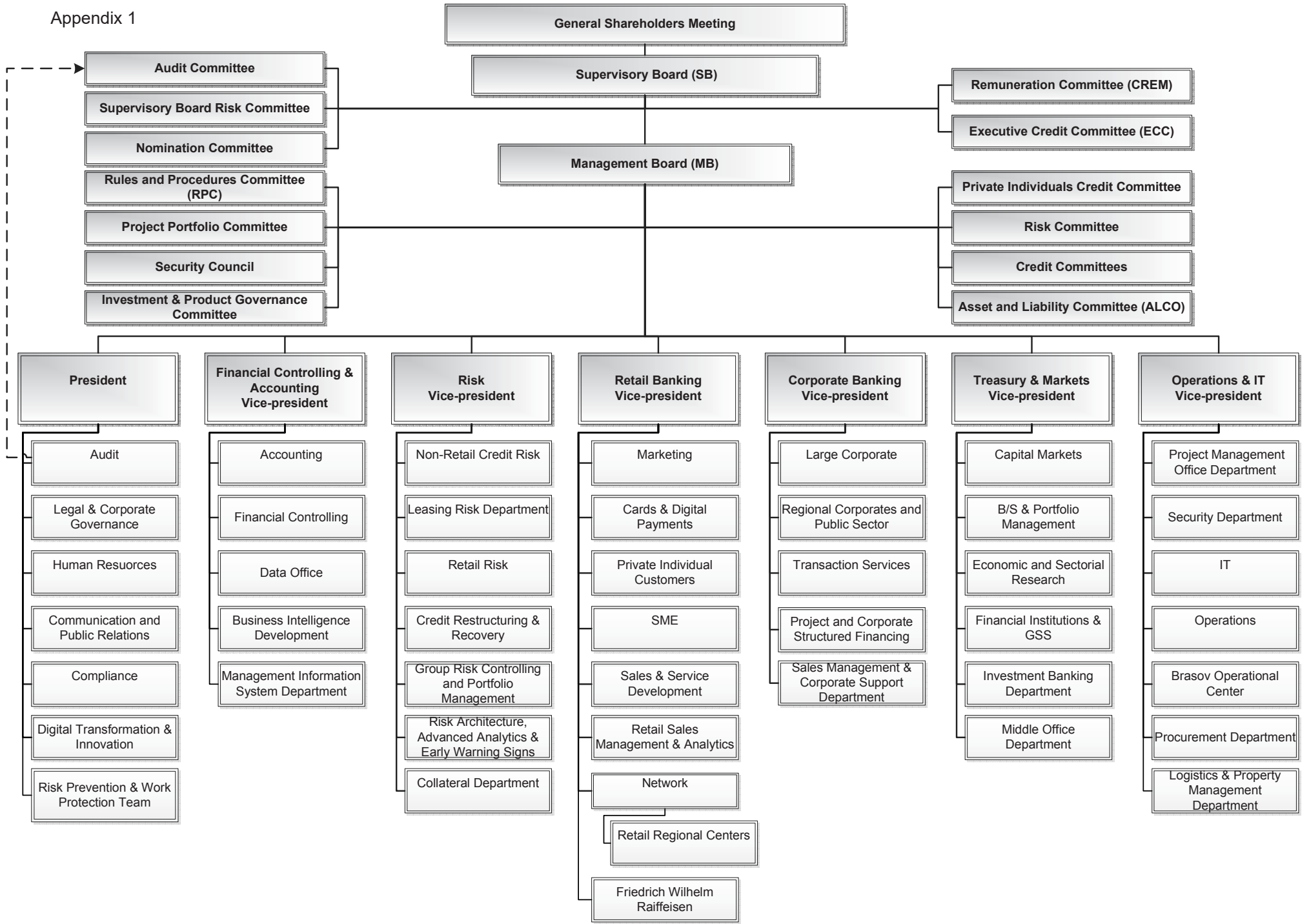
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## 27. APPENDICES

Appendix 1



## Curriculum Vitae

### Personal data:

Name: Steven Cornelis van Groningen  
Date of birth: 29.12.1957

### Education:

**Leiden University, the Netherlands**  
Masters Degree Corporate Law 1986

**Credit Lyonnaise, ABN AMRO and NIBE, Dutch Banking Institution**  
Management and Banking Management Courses

**Cap Gemini**  
Information Technology and Project Management courses

### Professional experience:

May 2002 – present	<b>Raiffeisen Bank S.A., Romania</b> President and CEO
Feb. 2002 – May 2002	<b>Banca Agricola- Raiffeisen S.A., Romania</b> President and CEO
June 2001 – Feb. 2002	<b>Banca Agricola- Raiffeisen S.A., Romania</b> Consultant, Vice -president
Aug. 1994 – June 2001	<b>ABN AMRO Bank</b> Various Senior Management positions in Romania, Russia and Hungary
Jan. 1990 – Aug. 1994	<b>Volmac Software Group/Cap Gemini, the Netherlands</b> Account Consultant, Marketing Manager, Consultant Several marketing, sales and consultancy positions, the latest with the National Bank of Romania (Aug. 1993 – Aug. 1994)
Sept. 1986 – Jan. 1990	<b>Credit Lyonnais Bank Nederland, the Netherlands</b> Management Trainee, Account Manager Various positions in the branch network, responsible for the relationship with Corporations

## **James D. Stewart, Jr.**

*Vice-President, Raiffeisen Bank SA*

**Responsible for Treasury and Capital Markets Division**

### **Education:**

**Lehigh University** – Bethlehem, BA. USA

BS – Finance, Foreign Careers, October 1976

### **Work experience:**

**May 2002 up to present**      **Vice-president - Raiffeisen Bank S.A.**, responsible for Treasury and Capital Markets Division

**August 2001 to May 2002:** **Vice-president - Raiffeisen Banca Agricola S.A.**, responsible for Treasury and Capital Markets Department

**May 2000 to July 2001**      **Vice-president - Raiffeisenbank (Romania) S.A.**, responsible for Treasury and Capital Markets Department

**May 1998 to May 2000**      **US Department of Treasury, Resident Advisor to the Bulgarian Ministry of Finance and Bulgarian National Bank - Sofia, Bulgaria**

**January 1997 to November 1997**      **Yamaichi International (America), Inc., Senior Vice-President, Manager – Primary Dealer Department.**

### **NatWest Financial Markets Group**

**1990 to 1996**      **Vice-President and Manager – US Government Securities Trading Department.**

**1986 to 1990**      **US Government Bond Trader**

**1984 to 1986**      **Vice-President and Manager, Municipal Bond Department.**

**Syndicate Manager – Municipal Bond Department, 1983 to 1984**

**Municipal Bond Trader, 1981 to 1983**

**Personal Assistant to the Treasurer, 1980**

**Lending Representative – Asia District, 1978 to 1980**

**Credit Analysis Trainee, 1977 to 1978**



# Curriculum Vitae

## Personal Data:

**Name:** Vladimir Nikolov Kalinov  
**Born:** 08.07.1970 in Sofia, Bulgaria

## Educational Background:

1992 – 1993 Institute for Marketing and Management – Course in “International Marketing Research”, New Delhi, India

1989 – 1992 Bachelor of Commerce (Honours), University of New Delhi, India

## Professional Experience:

- 2005 - present Raiffeisen Bank S.A., Romania**  
Vice-President of the Board, Retail Division (2011 – present)  
Vice-President of the Board, Risk Division (2007 – 2011)  
Chief Risk Officer (2006 – 2007)  
Executive Director, Credit & Risk Management Area (2005 – 2006)
- 2011 - present** President of Supervisory Board **Raiffeisen Banca pentru Locuinte S.A.**
- 2008 - present** President of Supervisory Board at **Raiffeisen Leasing IFN SA**
- 2008 - present** Member of Supervisory **Board at Biroul de Credit S.A.**
- 2007 - 2014** Member of Supervisory **Board at Raiffeisen Capital & Investment S.A.**
- 2004 – 2005** **Raiffeisen International Bank-Holding AG, Austria**  
Head of Network Credit Management and Deputy Head of Risk Management  
Corporate and Institutions
- 2000 – 2004** **Raiffeisen Zentralbank Oesterreich AG, Austria**  
Head of Network Credit Management and Prokurist (2001 – 2004)  
Senior Credit Risk Manager, Network Credit Management (2000 – 2001)
- 1995 – 2000** **Raiffeisenbank (Bulgaria) JSC, Bulgaria**  
Risk and Compliance Officer of the Bank (1999 – 2000)  
Head of Credit Department (1996 – 1999)  
Credit Risk Analyst (1995 – 1996)
- 1994 – 1995** **Eltex Holding JSC, Bulgaria**  
Manager, Trading Department/Food Commodities

## Curriculum Vitae

### Personal data:

Name: **Cristian Marius Sporis**  
Date of birth: 12.05.1976

### Education:

1994 – 1998 **Academy of Economic Studies – Bucharest**  
Faculty of Finance, Insurance, Banks and Stock Exchange, Banks and  
Stock Exchange specialization  
Licensed in Banks, Stock Exchange and Financial Analysis

July – September 1996 **Banca Agricola, Sibiu Branch**  
Trainee – Loan Department

### Professional experience:

Aug 2012 – present **Raiffeisen Bank S.A.**  
Vice-President Corporate Division

Feb. 2012 – July 2012 **Ministry of Public Finance**  
Secretary of State

Nov. 2005 – Feb. 2012 **SAI Raiffeisen Asset Management S.A.**  
Member of the Supervisory Board

Feb. 2005 – Jan. 2012 **Raiffeisen Bank S.A.**  
Executive Director – Treasury and Capital Markets Division

Feb. 2003 – Jan. 2005 **Raiffeisen Bank S.A.**  
Director – Treasury and Capital Markets Division

Feb. 2002 – Jan. 2003 **Raiffeisen Bank S.A.**  
Senior FX Dealer – Front Office – Treasury and Capital Markets  
Division

Oct. 2001 – Jan. 2002 **National Bank of Greece, Bucharest Branch**  
Treasurer – Dealing Room – Treasury Department

Mar. 1998 – Sep. 2001 **National Bank of Greece, Bucharest Branch**  
FX and MM dealer – Dealing Room – Treasury Department

Jan. 1997 – Feb. 1998 **National Bank of Greece, Bucharest Branch**  
Account Officer – Customer Services Department

## Curriculum Vitae

### Personal data:

Name: **Iancu Mircea Busuioceanu**  
Date of birth: 08.09.1972

### Education:

2007 – 2010 **University of Sheffield**  
Executive MBA

2009 **Raiffeisen International** "Execute! Module" – Leadership development program, in co-operation with Rofey Park Institute, UK

2004 – 2006 **DC Gardner**  
Project Finance  
Structured Trade Finance

2003 **Raiffeisen Zentralbank AG**  
On-the-job training, **Network Credit Risk Management Department**

1991- 1996 **Academy of Economic Studies – Bucharest**  
Faculty of Finance, Banks and Accounting, Finance – Banks specialization  
Licensed in Finance – Banks

### Professional experience:

April 2013 – present **Raiffeisen Bank S.A.**  
Vice-President Risk Division

May 2011 – April 2013 **Raiffeisen Bank S.A.**  
Chief Risk Officer

June 2008 – May 2011 **Raiffeisen Bank S.A.**  
Director Corporate and SME Credit Risk Directorate

Aug. 2004 – June 2008 **Raiffeisen Bank S.A.**  
Manager Corporate Credit Risk Department

Aug. 2003 – Aug. 2004 **Raiffeisen Bank S.A.**  
Manager Corporate Credit Analysis Department

Apr. 2002 – Aug. 2003 **Raiffeisen Bank S.A.**  
Credit Analyst

July 1999 – Apr. 2002 **Rural Credit Guarantee Fund S.A.**

Apr. 1996 – July 1999 **Bancorex S.A. (Romanian Bank for Foreign Trade)**

# Curriculum Vitae

## Personal data:

Name:

**Nicolae Bogdan Popa**

Birth date:

10.11.1975

## Education:

1999 – 2004

### **Programs**

Execute! – Development Program of the Raiffeisen Group for management (Vienna, Budapest, Kiev 2006 – 2007)

Euromoney – Structured products (Paris 2005)

Options (Prague 2004)

Euromoney – Bonds (Budapest 2003)

Derivatives on interest rate (Bucharest 2003)

Asset and Liabilities Management (London 2002)

IAS 39 (Bucharest 2002)

Supervising Principles (Bucharest 2001)

Business audit (Spain 1999, 2000)

Presentation techniques (Bucharest 2000)

1998 – 1999

**„Al.I.Cuza” University, Iasi**

Masters in „Financial Banking Management”

1994 – 1998

**„Al.I.Cuza” University, Iasi**

BA in Economy, major „Banks and Stock Exchanges”

## Work Experience:

2017 – present

**Raiffeisen Bank S.A., Bucuresti**

Vice-president Operations and IT Division

2013 – 2017

**Raiffeisen Bank S.A., Bucuresti**

Vice-president Financial Controlling&Accounting Division

2007 – 2013

**Raiffeisen Bank S.A., Bucuresti**

Director, Financial Controlling&Accounting Area

2010 – 2015

**Raiffeisen Leasing IFN S.A., Bucuresti**

Non-executive member of the Administration Council

2005 – 2013

**Raiffeisen Asset Management, Bucuresti**

Non-executive member of the Administration Council

2003 – 2007

**Raiffeisen Bank S.A., Bucuresti**

Director, Balance Sheet Portfolio Management

2002 – 2003

**Raiffeisen Bank S.A., Bucuresti**

Head of Department, Asset and Liabilities Department

1999 – 2002

**Arthur Andersen, Bucuresti**

Senior Auditor, Auditor

1998 – 1999

**„Al.I.Cuza” University, Iasi**

Assistant Professor

1998

**Banca Caixa Geral de Depositos, Porto - Portugalia**

Intern

## Curriculum Vitae

### Personal data:

Name: **Mihail Catalin Ion**  
Date of birth: 05.08.1975

### Education:

1998 - 2003 **Academy of Economic Studies - Bucharest**  
Ph.D., International Monetary and Financial Relations

1997 - 1998 **Academy of Economic Studies – Bucharest**  
Doctoral School of Finance and Banking (DOFIN),  
European Centre of Excellence

1993 - 1997 **Academy of Economic Studies – Bucharest**  
Faculty of Finance, Insurance, Banking and Stock Exchange  
Finance and Banking Specialization

### Professional experience:

Jul. 2017 – present **Raiffeisen Bank S.A., Bucharest**  
Vice-President - Financial Controlling & Accounting Division, CFO

Jan. 2015 – Jun. 2017 **Raiffeisen Bank S.A., Bucharest**  
Director, Mid – Market Corporate and Public Sector Directorate

Nov. 2005 – Jun. 2017 **SAI Raiffeisen Asset Management S.A., Bucharest**  
President of the Board

Nov. 2005 – Dec. 2014 **SAI Raiffeisen Asset Management S.A. , Bucharest**  
CEO

Nov. 2004 – Nov. 2005 **Raiffeisen Bank S.A., Bucharest**  
Department Manger, Assets & Liabilities Management Department

Feb. 2002 – Oct. 2004 **Raiffeisen Bank S.A., Bucharest**  
Chief Economist

Sep. 1997 – Sep. 2007 **Academy of Economic Studies – Bucharest**  
Lecturer, Assistant, University Preparator

# Curriculum Vitae

## Personal Information

Name: Johann Strobl  
Date of birth: 18 September 1959

## Education

1988 Doctor of Economics and Business Administration,  
Vienna University of Economics and Business

## Employment Career

since 2010 Raiffeisen Bank International AG, Vienna  
since March 2017: CEO  
2013 – 2017: Deputy CEO, CRO  
2010 – 2013: Member of the Board, CRO

2007 – 2015 Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna  
Member of the Board, Risk Management

2004 – 2007 Bank Austria Creditanstalt, Vienna  
Member of the Board, CRO/CFO

2003 – 2004 HypoVereinsbank, Munich  
Member of the Divisional Board, Risk Controlling and Asset Liability  
Management

1998 – 2003 Bank Austria Creditanstalt, Vienna  
2000 – 2003: Head of Global Treasury  
1998 – 2000: Head of Risk Controlling

1989 – 1998 Creditanstalt, Vienna  
1997 – 1998: Head of Market Risk Management  
1992 – 1997: Deputy Head of Domestic Money Market and Asset  
Liability Management  
1989 – 1992: Domestic Money Market and Asset Liability  
Management

1983 – 1989 Vienna University of Economics and Business  
Assistant Professor

# Curriculum Vitae

## Personal Information

Name: Martin Grill  
Date of birth: 25 October 1959

## Education

1982 Master of Economics, Vienna University of Economics and Business

## Employment Career

since 2010 Raiffeisenbank International AG, Vienna  
Member of the Board, CFO

2005 – 2010 Raiffeisen International Bank Holding AG, Vienna  
Member of the Board, CFO

2001 – 2004 Bank Austria Creditanstalt, Vienna  
2002 – 2004: Group Executive Manager CEE  
2001: Executive Manager CEE (CZ, HU, SK)

1998 – 2002 Bank Austria Handelsbank, Vienna  
1999 – 2002: Chairman of the Board  
1998 – 1999: Member of the Board

1982 – 1998 Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna  
1988 – 1998: Head of International Corporate Banking  
1987 – 1988: Head of International Loan Division  
1982 – 1987: Deputy Head of International Loan Division

# Curriculum Vitae

## Personal Information

Name: Hannes Mösenbacher  
Date of birth: 11 March 1972

## Education

2002 Doctor of Economics and Business Administration, University of Vienna

## Employment Career

since 2010 Raiffeisen Bank International AG, Vienna  
since March 2017: Member of the Board, CRO  
2010 – 2017: Head of Risk Controlling

2008 – 2010 Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna  
2009 – 2010: Head of Risk Controlling  
2008: Assistant to the CRO

2000 – 2008 Bank Austria Creditanstalt, Vienna  
2008: Head of Credit Treasury  
2005 – 2008: Deputy Head of Credit Treasury  
2004 – 2005: Credit Treasury  
2000 – 2004: Market Risk Management CEE

1998 – 2000 CAIB Investmentbank AG, Vienna  
Market Risk Management



# Curriculum Vitae

## Personal Information

Name: Peter Lennkh  
Date of birth: 10 June 1963

## Education

1988 Master of Economics and Business Administration,  
Vienna University of Economics and Business

## Employment Career

since 2010 Raiffeisenbank International AG, Vienna  
since October 2013: Member of the Board, Corporate Banking  
2010 – 2013: Member of the Board, Networkbank Management

2004 – 2010 Raiffeisen International Bank Holding AG, Vienna  
Member of the Board, Corporate Customer Business and  
Networkbank Coordination

1997 – 2004 Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna  
1999 – 2004: Head of Trade and Export Finance  
1998 – 1999: Head of Corporate Customers  
1997 – 1998: RZB Networkbank Management

1992 – 1996 Raiffeisenbank a.s., Prague  
Deputy Board Member, Credit Risk Management and Austrian  
Corporate Customers

1990 – 1991 Creditanstalt Leasing, Vienna  
Head of International Project Finance Department

1988 – 1990 Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna  
Account Manager International Finance

# Curriculum Vitae

## Personal Information

Name: Andreas Gschwenter  
Date of birth: 16 January 1969

## Education

1994 Master of Business Administration, University of Innsbruck

## Employment Career

since 2015 Raiffeisenbank International AG, Vienna  
Member of the Board, COO/CIO

2010 – 2015 Raiffeisen Bank AVAL JSC, Kiev  
Member of the Board, COO/CIO

2007 – 2010 Unicredit Bank Russia, Moscow  
Member of the Board, COO/CIO

2005 – 2007 Unicredit Tiriatic Bank Romania, Bucharest  
Deputy CEO, COO/CIO

2001 – 2005 Bank Austria/HVB Bank Serbia and Montenegro, Belgrade  
Executive Director, COO/CIO

2000 – 2001 Bank Austria Creditanstalt Romania SA, Bucharest  
Executive Director, Head of Banking Operations & IT

1997 – 2000 Denkstatt GmbH, Vienna  
Senior Consultant

1994 – 1997 BuE GmbH, Vienna  
Managing Director

# Curriculum Vitae

## Personal Information

Name: Łukasz Janusz Januszewski  
Date of birth: 1 October 1978

## Education

2007 Master Degree of Economics, University of Warsaw

## Employment Career

since 03/2018 Raiffeisen Bank International AG, Vienna  
Member of the Board, Markets & Investment Banking

1998 – 02/2018 Raiffeisen Bank Polska S.A., Warsaw  
2007 – 02/2018 Member of the Management Board, Markets & Investment Banking  
2003 – 2007 Capital Markets Director  
2002 – 2003 Deputy Capital Markets Director  
1999 – 2002 Dealer  
1998 – 1999 Treasury Department

1997 – 1998 Hasco Real Estate Agency  
Real Estate Agent

# Curriculum Vitae

## Personal Information

Name: Andrii Stepanenko  
Date of birth: 28 April 1972

## Education

1997 Ph.D. in Finance, Kyiv National University of Economics, Ukraine  
1995 University of Toronto, Faculty of Management  
1994 Specialist in International Economic Relations  
Kyiv State University of Economics, Ukraine

## Employment Career

since 03/2018 Raiffeisen Bank International AG, Vienna  
Member of the Board, Retail Banking

2003 – 02/2018 Raiffeisenbank Russia, Moscow  
2012 – 02/2018: Deputy Chairman of the Management Board,  
Head of Retail, Small, and Micro business  
2008 – 2012: Management Board Member, Head of Retail  
2007 – 2008: Management Board Member, Chief Risk Officer  
2003 – 2007: Head of Risk Management Division

2000 – 2003 Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna  
Deputy Head of Network Credit Management Department

1998 – 2000 Raiffeisenbank Ukraine, Kiev  
Head of Corporate Credit Analysis

1994 – 1995 National Bank of Ukraine, Kiev  
Foreign Currency Regulation Department

# Curriculum Vitae

## PERSONAL DETAILS

Name: ANA MARIA MIHAESCU

Date of birth: 29.07.1955

## Education

1971 - 1975 Mihai Viteazul High School - Ploiesti

1975 - 1980 Academy of Economic Studies, Faculty of International  
Economic Relations

2017 INSEAD - International Directors Program with certificate

## Employment Career

Since 2016 Raiffeisen Bank S.A. – Independent member on the Supervisory Board  
MedLife S.A. – Independent member on the Supervisory Board  
BlackSea Oil& Gas SRL – Member on the Supervisory Board  
ICME S.A. - Independent member on the Supervisory Board

2007 - 2016 International Finance Corporation (IFC) –Regional Manager covering  
11 European countries

1997 - 2007 International Finance Corporation (IFC) – Program Manager and Chief  
of Mission for Romania and Moldova

1996 - 1997 Eximbank – Interim President

1994 - 1996 Eximbank – Vice-president

1993 - 1994 World Bank Resident Mission - Bucharest –Project Officer

1991 - 1992 Eximbank – General Director

1990 - 1991 Romanian Bank for Development –Senior Banker, Deputy Director

1980 - 1990 Administration of State Insurances (ADAS) – Junior Underwriter/Senior  
Underwriter

## **PROFESSIONAL PROFILE**

**Name:** Ileana Anca Ioan

**Date of birth:** 03.02.1962

**Education:**

1994–1995 Master of Business Administration  
1980–1985 MSc in Computer and Automation Systems

**Professional experience:**

**As of Nov 2008** **Independent Management Consultant**  
Various projects for International and Romanian companies in strategy, M&A, turnaround, post merger integration

**As of April 2009** **Raiffeisen Bank S.A.**  
Member in the Supervisory Board

**June 2010 – March 2014** **Romcab SA**  
Member in the Board of Administration

**2005 - 2008** **CEO - Tiriac Holdings Ltd**  
**Board Member – Unicredit Tiriac Bank**  
**Board Member – Allianz Tiriac Asigurari**  
**Board Member – Globe Ground Romania**  
**Board Member – Bucharest International Cargo Center**  
**Board Member – Romcar Auto SRL**  
**Board Member – Hyundai Auto Romania SRL**  
**Board Member – MCar Trading SRL**

**1995 – 2005** **Managing Partner - Roland Berger Strategy Consultants Bucharest**

## Appendix 3 Qualitative and quantitative information on LCR

The main scope of the LCR (Liquidity Coverage Ratio) is to ensure that adequate levels of high-quality liquid assets (HQLA) are maintained and the liquidity needs are met under a 30-day stress scenario. The “Unweighted Amount” column represents quarterly average balances for each category of the LCR calculation which have not been adjusted by the respective LCR factors. The “Weighted Amount” column represents the unweighted average amounts multiplied by the respective LCR factor for each category of the LCR calculation.

Consolidated values are presented in the table below, together with the qualitative informations.

### Group – Tns RON

Scope of consolidation (consolidated)		Total unweighted value (average)	Total unweighted value (average)	Total unweighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total weighted value (average)	Total weighted value (average)	Total weighted value (average)
RON tns									
Quarter ending on		31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
Number of data points used in the calculation of averages		3	3	3	3	3	3	3	3
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA)					8,454,442	8,937,338	9,188,905	9,706,282
<b>CASH – OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:	23,841,159	24,229,056	24,886,698	25,814,525	1,888,303	1,890,686	1,939,820	1,978,537
3	<i>Stable deposits</i>	13,446,921	14,080,684	14,883,412	15,799,768	672,346	704,034	744,171	789,988
4	<i>Less stable deposits</i>	10,394,238	10,148,372	10,003,286	10,014,757	1,215,957	1,186,652	1,195,649	1,188,549
5	Unsecured wholesale funding	8,361,946	8,783,233	9,275,672	8,828,437	3,689,789	3,882,949	4,028,274	3,792,172
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	777,039	1,087,912	1,163,659	1,263,564	161,884	223,587	241,391	263,233
7	<i>Non-operational deposits (all counterparties)</i>	7,584,907	7,695,321	8,112,013	7,564,873	3,527,905	3,659,362	3,786,883	3,528,939
8	<i>Unsecured debt</i>	0	0	0	0	0	0	0	0
9	Secured wholesale funding					0	0	0	0

Scope of consolidation (consolidated)		Total unweighted value (average)	Total unweighted value (average)	Total unweighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total weighted value (average)	Total weighted value (average)	Total weighted value (average)
RON ths									
Quarter ending on		31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
10	Additional requirements	3,533,276	3,542,107	3,695,067	3,583,390	317,122	328,885	312,396	294,076
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	55,243	56,102	56,102	52,148	55,243	56,102	56,102	52,148
12	<i>Outflows related to loss of funding on debt products</i>	0	0	0	0	0	0	0	0
13	<i>Credit and liquidity facilities</i>	3,478,033	3,486,005	3,638,965	3,531,242	261,879	272,783	256,294	241,928
14	Other contractual funding obligations	1,443,366	1,108,082	1,114,546	838,096	1,442,385	1,107,091	1,111,099	834,313
15	Other contingent funding obligations	8,139,026	8,317,026	8,479,498	8,719,920	244,171	249,511	254,385	261,598
16	<b>TOTAL CASH OUTFLOWS</b>					7,581,770	7,459,122	7,645,974	7,160,696
<b>CASH – INFLOWS</b>									
17	Secured lending (e.g. reverse repos)	1,308,060	2,133,798	664,126	164,333	1,308,060	830,367	537,706	164,333
18	Inflows from fully performing exposures	2,755,711	1,751,959	2,002,693	1,378,189	2,467,856	1,478,571	1,660,221	992,155
19	Other cash inflows	25,327	15,905	10,718	27,345	25,327	15,905	10,718	27,345
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	<b>TOTAL CASH INFLOWS</b>	4,089,098	3,901,662	2,677,537	1,569,867	3,801,243	2,324,843	2,208,645	1,183,833
EU-20a	<i>Fully exempt inflows</i>	0	0	0	0	0	0	0	0
EU-20b	<i>Inflows subject to 90% cap</i>	0	0	0	0	0	0	0	0
EU-20c	<i>Inflows subject to 75% cap</i>	4,089,098	3,901,662	2,677,537	1,569,867	3,801,243	2,324,843	2,208,645	1,183,833



Scope of consolidation (consolidated)		Total unweighted value (average)	Total unweighted value (average)	Total unweighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total weighted value (average)	Total weighted value (average)	Total weighted value (average)
RON ths									
Quarter ending on		31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
						TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE
21	LIQUIDITY BUFFER					8,454,442	8,937,338	9,188,905	9,706,282
22	TOTAL NET CASH OUTFLOWS					3,780,527	5,134,279	5,437,329	5,976,863
23	LIQUIDITY COVERAGE RATIO (%)					224%	174%	169%	162%

*Note: values are computed as averages of each month value for quarters*

## **Main Drivers and Changes in LCR**

As presented in the table above, in 2019 Raiffeisen Bank Romania (RBRO) continued to maintain a strong ratio, well above the minimum regulatory limit of 100%. The high level of LCR is the result of the good liquidity position of the bank and the stock of high quality liquid assets. The stock of high quality liquid assets is represented by cash in cash registers and ATMs, amounts held at the Central Bank (minimum required reserve surplus), investments at the NBR deposit facility and bonds eligible for accessing liquidity facilities at the Central Bank.

## **Composition of high quality liquid assets**

Compared to the 4th quarter of 2018, in the 4th quarter of 2019 the stock of high quality liquid assets increased from RON 9,206 million to RON 9,706 million. At the end of 2019, high quality liquid assets consist of cash at cashiers and ATMs, eligible securities, current accounts (amounts exceeding the minimum required reserve) and investments at the permanent facility at the NBR

## **Concentration of Funding Sources:**

Potential cash outflows over a 30-day period are taken into account in the calculation of the LCR.

The main sources of financing of Raiffeisen Bank Romania were represented by retail deposits and deposits of small business customers which, as shown by the LCR values in the table, recorded an average value of RON 25,814 million in the 4th quarter of 2019, of which RON 1,978 million represent the potential outflows in the next 30 days, as well as non-wholesale wholesale financing (non-operational deposits) with an average value of RON 8,828 million in the 4th quarter of 2019, of which RON 3,792 million represent potential outflows in the next 30 days .

The LCR calculation regulation does not contain explicit provisions regarding the concentration of financing and liquidity sources, but internally, the bank monitors the clients that could represent a high degree of concentration and considers them in the internal risk models for liquidity management.

## **Derivatives Exposures and Potential Collateral Calls**

Exposures from operations with derivative financial instruments are presented in the LCR in accordance with Article 21 of the Delegated Act. Any possible warranty claims are presented in the LCR in accordance with Article 30, paragraph 3 of the Delegated Act. The bank adds additional outputs corresponding to collateral requirements, which would result from the impact of a negative market scenario on derivative transactions, financing transactions and other contracts of the credit institution, if they are significant.

The historical approach is used to evaluate the potential collateral calls associated with derivative financial instruments. The average value of potential outflows during 2019 was approx. RON 52

million, representing approx. 0.73% of the average value of total net cash outflows included in the LCR calculation, in the 4th quarter of 2019.

### **Currency Mismatch in LCR:**

The LCR is calculated and reported in RON, but it is also calculated individually for each significant currencies. The denomination by currencies of the high quality liquid assets held by RBRO is consistent with the distribution by currencies of the net cash outflows. RBRO monitors for inconsistencies between cash inflows and outflows at the currency level to limit the accumulation of risks. Currency inconsistencies are limited internally, by setting limits at the currency level, for the results of liquidity crisis simulations and for the maximum open currency position, at the currency level and for the total.

Individual values are presented in the table below, together with the qualitative informations (Bank).

### Bank – Ths RON

Scope of consolidation (solo)		Total unweighted value (average)	Total unweighted value (average)	Total unweighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total weighted value (average)	Total weighted value (average)	Total weighted value (average)
RON ths									
Quarter ending on		31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
Number of data points used in the calculation of averages		3	3	3	3	3	3	3	3
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA)					8,319,766	8,818,477	8,878,796	9,394,988
<b>CASH – OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:	23,702,898	24,101,852	24,533,501	25,483,713	1,866,611	1,869,251	1,875,334	1,913,183
3	<i>Stable deposits</i>	13,324,918	13,970,075	14,581,774	15,523,126	666,246	698,504	729,089	776,156
4	<i>Less stable deposits</i>	10,377,980	10,131,777	9,951,727	9,960,587	1,200,365	1,170,747	1,146,245	1,137,027
5	Unsecured wholesale funding	8,368,456	8,770,660	9,248,294	8,830,918	3,706,864	3,882,443	4,016,204	3,807,868
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	777,039	1,087,912	1,163,659	1,263,564	161,884	223,587	241,391	263,233
7	<i>Non-operational deposits (all counterparties)</i>	7,591,417	7,682,748	8,084,635	7,567,354	3,544,980	3,658,856	3,774,813	3,544,635
8	<i>Unsecured debt</i>	0	0	0	0	0	0	0	0
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	3,498,410	3,494,596	3,660,905	3,565,357	315,163	326,012	313,084	305,041
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	55,243	56,102	56,102	52,148	55,243	56,102	56,102	52,148
12	<i>Outflows related to loss of funding on debt products</i>	0	0	0	0	0	0	0	0
13	<i>Credit and liquidity facilities</i>	3,443,167	3,438,494	3,604,803	3,513,209	259,920	269,910	256,982	252,893
14	Other contractual funding obligations	1,436,973	1,107,091	1,111,099	834,313	1,442,385	1,107,091	1,111,099	834,313

Scope of consolidation (solo)		Total unweighted value (average)	Total unweighted value (average)	Total unweighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total weighted value (average)	Total weighted value (average)	Total weighted value (average)
RON ths									
Quarter ending on		31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
15	Other contingent funding obligations	8,169,817	8,317,026	8,545,623	8,735,778	244,171	249,511	256,369	262,073
16	<b>TOTAL CASH OUTFLOWS</b>					7,575,194	7,434,308	7,572,090	7,122,478
<b>CASH – INFLOWS</b>									
17	Secured lending (e.g. reverse repos)	1,308,060	2,133,798	664,126	164,333	1,308,060	830,367	537,706	164,333
18	Inflows from fully performing exposures	2,712,977	1,711,463	1,915,005	1,327,202	2,439,343	1,452,740	1,587,412	956,718
19	Other cash inflows	16,507	8,923	10,718	14,643	16,507	8,923	10,718	14,643
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	<b>TOTAL CASH INFLOWS</b>	4,037,544	3,854,184	2,589,849	1,506,178	3,763,910	2,292,030	2,135,836	1,135,694
EU-20a	<i>Fully exempt inflows</i>	0	0	0	0	0	0	0	0
EU-20b	<i>Inflows subject to 90% cap</i>	0	0	0	0	0	0	0	0
EU-20c	<i>Inflows subject to 75% cap</i>	4,037,544	3,854,184	2,589,849	1,506,178	3,763,910	2,292,030	2,135,836	1,135,694
						TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE	TOTAL ADJUSTED VALUE
21	<b>LIQUIDITY BUFFER</b>					<b>8,319,766</b>	<b>8,818,477</b>	<b>8,878,796</b>	<b>9,394,988</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>					<b>3,811,284</b>	<b>5,142,278</b>	<b>5,436,254</b>	<b>5,986,784</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>					218%	171%	163%	157%

Note: values are computed as averages of each month value for quarters



## Appendix 4 – Own funds, capital ratios and leverage ratio for 2019

Raiffeisen Bank S.A. decided to apply, starting with January 1, 2018, the transitional measures regarding IFRS 9 representing a progressive transition regime, which would mitigate the impact of the new depreciation model provided by IFRS 9.

Following the application of this transitional regime, Raiffeisen Bank S.A. must reflect its own funds, capital rates and leverage ratio, regardless of whether the transitional measures apply or not, in order to allow the public to assess the impact of those measures.

		31.12.2019	30.09.2019	30.06.2019	31.03.2019
<b>Available capital (amounts)</b>					
1	Common Equity Tier 1 (CET1)	4.308.325	3.506.417	3.594.444	3.511.918
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.182.629	3.453.709	3.447.183	3.446.371
3	Tier 1 capital	4.546.924	3.506.417	3.594.444	3.511.918
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.421.228	3.453.709	3.447.183	3.446.371
5	Total capital	5.467.651	4.063.455	4.178.478	4.128.219
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.341.955	4.010.747	4.031.217	4.062.672
<b>Risk-weighted assets (amounts)</b>					
7	Total risk-weighted assets	23.277.994	23.568.885	22.785.703	22.921.226
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23.266.915	23.566.707	22.782.838	22.921.226
<b>Capital ratios</b>					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	18,51%	14,88%	15,77%	15,32%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,98%	14,66%	15,13%	15,04%
11	Tier 1 (as a percentage of risk exposure amount)	19,53%	14,88%	15,77%	15,32%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19,00%	14,66%	15,13%	15,04%
13	Total capital (as a percentage of risk exposure amount)	23,49%	17,24%	18,34%	18,01%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	22,96%	17,02%	17,69%	17,72%
<b>Leverage ratio</b>					
15	Leverage ratio total exposure measure	46.914.542	46.247.365	43.756.857	44.404.071
16	Leverage ratio	9,45%	7,48%	7,85%	7,77%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,69%	7,58%	8,21%	7,91%

## Appendix 5

## Full terms and conditions of all instruments included in regulatory capital and TLAC - AT1

		Quantitative / qualitative information
1	Issuer	Raiffeisen Bank S.A.
2	Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (ISIN) or Bloomberg identifier for private placement)	AT0000A2BY28
3	Governing law(s) of the instrument	Austrian law, except subordination clauses which are governed by Romanian law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	Contractual
4	Transitional Basel III rules	Additional Tier 1
5	Post-transitional Basel III rules	Additional Tier 1
6	Eligible at solo/group/group and solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	AT1
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	238.599.169 RON
9	Par value of instrument	50.000.000 EURO
10	Accounting classification	Shareholders equity
11	Original date of issuance	17 Decembrie 2019
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	i) 30 May 2025, ii) the instrument has a tax and/or regulatory event call, iii)
16	Subsequent call dates, if applicable	Each Distribution Payment Date (30 May) thereafter; ii) the instrument has a tax and/or regulatory event call, iii) Redemption price is the Current Principal Amount plus Interest
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	EURIBOR 12 M (floored at 0%) + Margin (7,5%)
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	-
25	If convertible, fully or partially	-
26	If convertible, conversion rate	-
27	If convertible, mandatory or optional conversion	-



28	If convertible, specify instrument type convertible into	-
29	If convertible, specify issuer of instrument it converts into	-
30	Writedown feature	Yes
31	If writedown, writedown trigger(s)	Trigger event means at any time that (i) the Group CET 1 Capital Ratio is below 5.125% and/or (ii) the Issuer CET 1 Capital Ratio is below 5.125%. The determination as to whether a Trigger Event has occurred shall be made by the Issuer, the Competent Authority or any agent appointed for such purpose by the Competent Authority, and such a calculation shall be binding on the Holders.
32	If writedown, full or partial	ii) may be written down partially
33	If writedown, permanent or temporary	Temporary
34	If temporary write-down, description of writeup mechanism	The Issuer may, at its sole discretion, to the extent permitted in compliance with the Applicable Supervisory Regulations, reinstate any portion of the principal amount of the Notes which has been Written Down (such portion, the "Write-Up Amount").
34a	Type of subordination	Contractual subordination
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	(a)Pari passu without any preference among themselves, at all times; (b) Pari passu with (a) any existing AT 1 Instruments of the Issuer, and (b) any other obligations or capital instruments of the Issuer that rank or are expressed to rank equally with the Notes in the event of a liquidation or insolvency of the Issuer and the right to receive repayment of capital in the event of a liquidation or insolvency of the Issuer; (c) Senior to holders of the Issuer's CET 1 Instruments and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the Notes in the event of a liquidation or insolvency of the Issuer and the right to receive repayment of capital in the event of a liquidation or insolvency of the Issuer; and (d) Junior to present or future claims of (a) unsubordinated creditors of the Issuer, including creditors of any senior unsecured non-preferred liabilities expressed to rank senior to the class of obligations fulfilling the conditions set out in (a)-(c) of Article 108 (2) of the BRRD, (b) subordinated creditors of the Issuer including Tier 2 holders, and (c) junior to any present or future claims which are excluded from application of the write-down or conversion powers under the Bail In Tool, other than the present or future claims of creditors that rank or are expressed to rank pari passu with or junior to the Notes in the event of a liquidation or insolvency of the Issuer.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	-

## Appendix 5

## Full terms and conditions of all instruments included in regulatory capital and TLAC - T2

		Quantitative / qualitative information
1	Issuer	Raiffeisen Bank S.A.
2	Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (ISIN) or Bloomberg identifier for private placement)	ROJX86UZW1R4
3	Governing law(s) of the instrument	Romanian law
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	-
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Tier 2
6	Eligible at solo/group/group and solo	Group and solo
7	Instrument type (types to be specified by each jurisdiction)	Tier 2
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	480.000.000 RON
9	Par value of instrument	480.000.000 RON
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	19 December 2019
12	Perpetual or dated	Dated
13	Original maturity date	19 December 2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	i) 19 December 2024 or anytime after this date; ii) the instrument has a tax and/or regulatory event call; iii) After the lapse of five year after Issue Date, on 19 December 2024, the Bonds will be redeemed at their nominal value, plus Interest. At any time after 19 December 2024, the Bonds will be redeemed at their nominal value, plus Interest, plus Make Whole Amount.
16	<i>Subsequent call dates, if applicable</i>	At any time after 19 December 2024
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Total coupon: ROBOR3M + 3.5%
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	-
25	If convertible, fully or partially	-
26	If convertible, conversion rate	-
27	If convertible, mandatory or optional conversion	-
28	If convertible, specify instrument type convertible into	-

29	If convertible, specify issuer of instrument it converts into	-
30	Writedown feature	No
31	If writedown, writedown trigger(s)	-
32	If writedown, full or partial	-
33	If writedown, permanent or temporary	-
34	If temporary write-down, description of writeup mechanism	-
34a	Type of subordination	Contractual subordination
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	a)pari passu without any preference among themselves, at all times; (b) pari passu with (i) any existing Tier 2 instruments of the Issuer, and (ii) any other obligations or capital instruments of the Issuer that rank or are expressed to rank equally with the Bonds in the event of a liquidation or insolvency of the Issuer and the right to receive repayment of capital in the event of a liquidation or insolvency of the Issuer; (c) senior to holders of the Issuer's Common Equity Tier 1 instruments and Additional Tier 1 instruments and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the Bonds in the event of a liquidation or insolvency of the Issuer and the right to receive repayment of capital in the event of a liquidation or insolvency of the Issuer; and (d) junior to present or future claims (i) of unsubordinated creditors of the Issuer, including creditors of any senior unsecured non-preferred liabilities expressed to rank senior to the class of obligations fulfilling the conditions set out in Article 108 para. (2) letters (a)-(c) of the BRRD, (ii) junior to any present or future claims which are excluded from the application of the write-down or conversion powers under the bail in tool (as such term is defined in the BRRD), in accordance with the provisions of Article 44 para. (2) and para. (3) of the BRRD, and (iii) to the extent they do not fall under the categories referred at items (i) to (ii) above, subordinated liabilities of the Issuer, other than claims of creditors that by law rank or by their terms are expressed to rank pari passu with or junior to the Bonds in the event of a liquidation or insolvency of the Issuer.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	-