# REPORT ON TRANSPARENT AND PUBLICATION REQUIREMENTS OF INFORMATION

## 30 June 2020

**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*

Introduction ....................................................................................................................4
Statement of adequacy of the management framework of Raiffeisen Bank S.A. and on liquidity Risk...4
1. Article 435 CRR Risk Management objectives and policies ..........................................................6
A. Risk Policy Principles ..........................................................................................................6
B. Organization of risk management ..........................................................................................7
C. Overall bank risk management...............................................................................................8
D. Risk categories ..................................................................................................................11
D.1. Credit risk .........................................................................................................................11
D.2. Market risk.........................................................................................................................13
D.3. Liquidity risk ......................................................................................................................13
D.4. Operational risk ..................................................................................................................14
D.5. Strategic Risk......................................................................................................................16
D.6. Reputational Risk ................................................................................................................16
D.7. Risk of excessive leverage.....................................................................................................16
2. Article436 CRR Scope of application ..........................................................................................16
Consolidated group for accounting purposes ....................................................................................17
(i) Subsidiaries ...........................................................................................................................17
(ii) Joint venture ..........................................................................................................................17
(iii) Associates.............................................................................................................................18
Consolidated group for the purpose of prudential regulations: .............................................................18
3. Article 437 CRR Own funds ........................................................................................................23
4. Article 438 CRR Capital Requirements ..........................................................................................30
5. Article 439 CRR Exposure to counterparty credit risk.......................................................................34
6. Article 440 CRR countercyclical capital buffer ................................................................................35
7. Article 441 CRR Indicators of systemic importance..........................................................................35
8. Article442 CRR Credit risk adjustments..........................................................................................35
A. Description of approaches and methods applied to determine specific and general adjustments for credit risk.......................................................................................................................................35
A.1. Allocation of Individual Loan Loss Provisions(non-retail)...............................................................35
A.2 Portfolio-based loan losses calculation..........................................................................................39
B. Definition of the terms “past due” and “impaired” for accounting purposes .........................................44
Past due exposures.............................................................................................................................44
Non-performing not defaulted exposure.................................................................................................44
Non-retail..........................................................................................................................................44
Retail ...............................................................................................................................................45
Impairment allowance on loans and advances .......................................................................................45
C. Quantitative presentation in accordance with accounting regulations ...................................................46
Publishing and reporting requirements on Exposures subject to measures applied in the context of COVID-19.........................................................................................................................................67
9. Article 443 CRR Unencumbered assets ...........................................................................................71
10. Article 444 CRR Use of ECAIs (External Credit Assessment Institution) ..........................................72
A. Exposure break down ...................................................................................................................74
11. Article 445 CRR Market Risk Exposure ........................................................................................80
12. Article 446 CRR Operational Risk..................................................................................................80
13. Article 448 CRR Interest rate risk exposures for activities outside the trading book ..............................80
14. Article449 CRR Exposure to securitization positions........................................................................83
15. Article 451 CRR Leverage ..........................................................................................................84
16. Article 452 CRR Use of the IRB approach to credit risk ...................................................................86
A. Approaches or transition arrangements approved by the competent authorities ......................................86
A.1. Internal Ratings Based Approach (IRB).........................................................................................86
A.2. STD Permanent Partial Use (STD-PPU) ........................................................................................86
A.3. STD Temporary Partial Use (STD-TPU) .......................................................................................86
B. Structure of the internal rating systems ...........................................................................................87
B.1 Use of internal estimates...............................................................................................................87

B.2 Control mechanism for rating systems ....88
B.3 Description of the internal rating process ....88
B.4 Definitions, methods and data used to estimate and validate the probability of default ....100
B.5. Significant deviations from the definition of default ....108
C. Credit exposure breakdown ....109
17. Article 453 CRR Credit risk mitigation....122
A. Risk mitigation techniques – management and recognition ....122
B. Financial Collateral ....123
Types of financial collateral and their valuation: ....123
B.1. Cash collateral....123
B.2. Debt Securities and receivables ....123
B.3. Equities and convertibile bonds ....123
Effect on credit risk mitigation ....124
C. Tangible collateral (Real estate collateral) ....124
Types of tangible collateral and valuation aproaches ....124
Effect on credit risk mitigation ....125
D. Receivables....125
Types of receivables and valuation technique ....125
Effect on credit risk mitigation ....125
E. Unfunded credit protection....125
Types of collateral and valuation approach ....126
Unfunded protection by a counterguarantee....126
Effect on credit risk mitigation ....126
F. Volume of recognized credit risk mitigation techniques....126
18. Article 454 CRR Use of the advanced measurement approaches to operational risk ....128
19. Article 455 CRR Use of internal models for market risk ....128
20. Minimum Requirement for Own Funds and eligible Liabilities (MREL)....128
21. List of Tables....130
22. APPENDICES ....132

## 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 30 June 2020 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), in the Report on Transparency and Information Disclosure Requirements, in the Annual Corporate Responsibility Report, in the Annual Report and in The Financial Statements.

## 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 30 of June 2020, the internal capital of Raiffeisen Bank S.A. amounted to 5,578 RON mil.
The economic capital calculated for quantifiable risks was of 3,369 RON mil, out of which 50% for credit risk, 35% 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 5,578 RON mil is higher than the economic capital in total amount of 3,369 RON mil, at 30 of June 2020 **Raiffeisen Bank S.A. had an adequate level of internal capital for covering risks.**

As at 30 of June 2020, the internal capital of the Group Raiffeisen Bank amounted to 5,723 RON mil.
As the internal capital of 5,723 RON mil is higher than the economic capital in total amount of 3,434 RON mil, at 30 of June 2020 **the Group Raiffeisen Bank had an adequate level of internal capital for covering risks.**

Regarding the liquidity risk management, the main objective of the RBRO strategy is to define a robust framework, adapted and updated to the business environment conditions, to support the business strategy of banks.
The liquidity risk tolerance is established in line with the bank's business strategy and position within the banking system and reflects the level of risk that the bank is willing to assume under normal and stressful conditions:
1. Regarding the activity under normal conditions, a long-term risk profile is defined at the level of the bank by establishing a set of limits at the level of the main liquidity indicators monitored. The limits have the role of preventing the accumulation in time of a significant liquidity risk from the current activity of the bank. To achieve this goal, the limits are considered in the annual budgeting process and the indicators are monitored throughout the year to prevent and correct any exceedances.
2. In stress conditions, the tolerance to liquidity risk is given by the bank's ability to operate, for a period of one month, without having to fundamentally change its business strategy. This level of tolerance is ensured by establishing a liquidity reserve at the bank level that can be used to compensate the lack of access to financing sources and possible outflows of funds during the stress period.
At RBRO level, ensuring the liquidity adequacy level is achieved both from the internal liquidity risk management point of view as from the regulatory one.
Internally, the liquidity management framework consists of a set of policies, processes and systems for identifying, measuring, monitoring and controlling liquidity risk and is defined in order to ensure a balance between the cash inflows and outflows associated with the balance sheets items and off-balance sheets and a sufficient liquidity reserve to allow the bank to deal with stressful situations over an acceptable period of time, without significantly changing its strategy or business model.
From regulatory point of view, the liquidity management framework considers the observance of the regulatory reporting requirements defined by the National Bank of Romania (Liquidity Indicator) and by the Basel III framework (LCR, NSFR, ALMM). As in previous years, in the first part of 2020, the Bank had a broad liquidity position that was reflected in the comfortable level recorded for all liquidity indicators, both internal and regulatory. From an internal point of view, the Bank registered in the first part of 2020 positive values both in terms of activity under normal conditions and in terms of activity in terms of stress. Comfortable values were also registered for the regulatory indicators (the CSF indicator registered an average value of 215% in the first part of 2020 well above the regulatory limit of 100%).
In conclusion, in the first part of 2020 the Bank registered an adequate liquidity position. The Bank also has an adequate framework for managing and controlling liquidity risk, considering the profile and strategy of the institution.

*This statement was approved by the governing body of Raiffeisen Bank S.A.*

# 1. 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 Committes 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.

**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 practive | | 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 | Thee 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. | Bugeted 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 inftrastructure, 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 purspose 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 chapters Exposure to market risk and Exposures to interest rate risk for activities outside the trading book.

D.3. Liquidity risk

The central objective of Raiffeisen Bank's strategy in the field of liquidity risk management is to define a robust framework, adapted and updated to the conditions of the business environment, to support the bank's business strategy. The management framework includes policies, processes and systems for identifying, measuring, monitoring and controlling liquidity risk and is defined in order to ensure a balance between cash inflows and outflows associated with balance sheet and off-balance sheet items and a sufficient liquidity reserve to It allows the bank to deal with stressful situations over an acceptable period of time, without significantly changing its strategy or business model.
In order to properly manage liquidity risk, the bank uses a series of reports that capture cash inflows and outflows related to balance sheet and off-balance sheet items, over several time horizons, under normal and stressful conditions. Also, the instruments capture the liquidity risk of the bank in the medium and long term from the perspective of the balance sheet structure but also the efficiency with which the short-term liquid assets are managed.
The ratios used by Raiffeisen Bank for liquidity risk management are as follows: liquidity gap (at Raiffeisen Bank level and at consolidated level for Raiffeisen Bank and Raiffeisen Leasing); statutory liquidity ratio; CSF and NSFR liquidity indicators; testing the liquidity position in crisis conditions (stress test); liquidity structure indicators (liquidity scorecard, liquidity surplus); real-time measurement of liquidity position.
For the efficient control of the liquidity risk, at the level of the indicators calculated in the main liquidity reports, a series of limits is established and the values of the indicators and their framing in limits are periodically reported to ALCO.
The liquidity risk control function is provided by a dedicated department within the Group Risk Control and Portfolio Management Department, in accordance with the Bank's Organization and Functioning Regulation. The scope of the liquidity risk

management process refers to the short-term, long-term liquidity risk and the financing risk, at individual and consolidated level. The monitoring of the instruments for managing the liquidity risk to which the bank is exposed is performed on a daily or monthly basis, and the reporting of exposures to this risk is done to the Assets and Liabilities Committee on a monthly basis.

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 regulation of the activity was achieved starting with 2004 by elaborating the operational risk policy and procedures, documents that were the 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 procedures and the development of 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 in 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 in 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 on 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 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 aims at detecting the potential risks on specific products and / or banking activities, in order to estimate the potential impact if a risk event occurrs 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 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 makes 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 by 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.

## 2. Article436 CRR Scope of application

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 30 BWG, 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: 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 Banca pentru Locuinte S.A., an entity exclusively dedicated to saving and lending business. Before this acquisition, the Group owned 33.32% shares in this equity participation which was previously classified as joint venture. After the acquisition, the subsidiary's name changed into Aedificium Bank pentru Locuinte S.A.
The Bank has consolidated the financial statements of its subsidiaries in accordance with IFRS 10 "Consolidated Financial Statements".

*(ii) Joint venture*

The Group holds 99.99% (2019: 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*

The Bank holds an investment of 33.33% (2019: 33.33%) in Fondul de Garantare a Creditului Rural – IFN S.A. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.
The Group accounts proportionately for the share of gain or loss from its associates in accordance to IFRS 11 "Investments in Associates". The consolidated financial statements include the Group's share of the total recognized gains and losses of associates and joint ventures on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. After application of the equity method, including recognizing the associate's losses, the investor determines whether it is necessary to recognize any additional impairment loss with respect to the investor's net investment in the associate.

**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 locates 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 consolidiation and the correspondence between the categories of elements from the financial statement and some regulatory risk categories.

Table 2.

| GROUP<br>Article 436 - LI1 | | | Carrying values of items | | | | |
|---|---|---|---|---|---|---|---|
| **In RON thousand** | **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 | 6,019,653 | 6,019,653 | 6,019,653 | 0 | 0 | 0 | 0 |
| Loans and advances to banks at amortised cost | 2,702,988 | 2,702,988 | 2,702,988 | 0 | 0 | 0 | 0 |
| Derivative assets held for risk management | 13,356 | 13,356 | - | 13,356 | 0 | 0 | 0 |
| Trading assets | 223,270 | 223,270 | 223,270 | 0 | 0 | 0 | 0 |
| Financial assets mandatorily at fair value through profit or loss | 394,125 | 394,125 | 394,125 | 0 | 0 | 0 | 0 |
| Investment securities at fair value through other comprehensive income | 3,308,844 | 3,308,844 | 3,308,844 | 0 | 0 | 0 | 0 |
| Equity instruments at fair value through other comprehensive income | 60,507 | 60,507 | 60,507 | 0 | 0 | 0 | 0 |
| Investment in subsidiaries, associates and joint ventures | 18,683 | 18,683 | 18,683 | 0 | 0 | 0 | 0 |
| Loans and advances to customers at amortised cost | 27,428,609 | 27,428,609 | 27,418,518 | 0 | 10,091 | 0 | 0 |
| Fair value changes of the hedged items-hedge accounting | 8,959 | 8,959 | 8,959 | 0 | 0 | 0 | 0 |
| Investment securities at amortised cost | 5,412,524 | 5,412,524 | 5,412,524 | 0 | 0 | 0 | 0 |
| Current tax receivable | 365 | 365 | 365 | 0 | 0 | 0 | 0 |
| Other assets | 486,238 | 486,238 | 486,238 | 0 | 0 | 0 | 0 |
| Deferred tax assets | 26,626 | 26,626 | 26,626 | 0 | 0 | 0 | 0 |
| Property, equipment and right-of-use assets | 576,758 | 576,758 | 576,758 | 0 | 0 | 0 | 0 |
| Intangible assets | 252,373 | 252,373 | 1,348 | 0 | 0 | 0 | 251,025 |
| **Total assets** | **46,933,878** | **46,933,878** | **46,659,406** | **13,356** | **10,091** | **-** | **251,025** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Trading liabilities | 14,943 | 14,943 | 0 | 0 | 0 | 0 | 0 |

| GROUP<br>Article 436 - LI1 | | | Carrying values of items | | | | |
|---|---|---|---|---|---|---|---|
| In RON thousand | 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 |
| Derivative liabilities held for risk management | 10,018 | 10,018 | 0 | 0 | 0 | 0 | 0 |
| Deposits from banks | 398,384 | 398,384 | 0 | 0 | 0 | 0 | 0 |
| Deposits from customers | 38,589,360 | 38,589,360 | 0 | 0 | 0 | 0 | 0 |
| Loans from banks and other financial institutions | 531,946 | 531,946 | 0 | 0 | 0 | 0 | 0 |
| Derivatives – hedge accounting | 19,916 | 19,916 | 0 | 0 | 0 | 0 | 0 |
| Current tax liabilities | 32,774 | 32,774 | 0 | 0 | 0 | 0 | 0 |
| Other liabilities | 1,010,424 | 1,010,424 | 0 | 0 | 0 | 0 | 0 |
| Debt securities issued | 480,167 | 480,167 | 0 | 0 | 0 | 0 | 0 |
| Subordinated liabilities | 414,067 | 414,067 | 0 | 0 | 0 | 0 | 0 |
| Provisions | 346,210 | 346,210 | 0 | 0 | 0 | 0 | 0 |
| **Total liabilities** | **41,848,201** | **41,848,201** | **0** | **0** | **0** | **0** | **0** |

**Correspondence between the categories of elements from the financial statement and some regulatory risk categories**
**Table 3.**

| Group<br>Article 436 – LI2 | Total | Subject to the framework | | | |
|---|---|---|---|---|---|
| **In RON thousand** | | **Credit risk framework** | **CCR framework** | **Subject to the securitization framework** | **Subject to the market risk framework** |
| Asset book values under the scope of prudential consolidation | 46,933,884 | 46,659,412 | 13,356 | 10,091 | 0 |
| Lliabilities'book values under the scope of prudential consolidation | 41,848,209 | 0 | 0 | 0 | 0 |
| Net amount under the scope of prudential consolidation | 5,085,675 | 0 | 0 | 0 | 0 |
| Off-balance items | 12.921.924 | 12.921.924 | 0 | 0 | 0 |
| **Exposure values taken into account on regulatory purposes** | **59.855.878** | **0** | **0** | **0** | **0** |

# 3. 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.

| | **June 2020** | |
|---|---|---|
| **Thousand RON** | **Group** | **Bank** |
| | | |
| Equity | 5,085,658 | 4,974,862 |
| Dividends paid | | |
| Other intangible assets* | (251.025) | (247.423) |
| Other adjustments related to Tier 1 Capital | 102.591 | 101.498 |
| *Other adjustments including IFRS 9 transition* | -147.961 | -147.896 |
| **Total Tier 1** | **4.682.190** | **4.548.650** |
| | | |
| Tier 2 instruments | 820.764 | 820.764 |
| Net provisions for reported IRB credit exposures | 106.881 | 107.745 |
| Other adjustments related to Tier 2 Capital | 0 | -12.000 |
| **Total Tier 2** | 927.645 | 916.509 |
| **Own funds** | **5.609.835** | **5.465.159** |
| *the value of other intangible adjustments is presented net of deffered taxes | | |

**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 30 June 2020 at Group level the common equity tier 1 is in amount of RON 4,682,190 thousand, and at Bank level the common equity tier 1 is in amount of RON 4,548,650 thousand.

**Tier 2 capital**

As at 30 June 2020 at Group level the common equity tier 2 after deductions amounted at RON 927.645 thousand, consisting mainly of subordinated debt.
As at 30 June 2020 at Bank level the common equity tier 2 after deductions amounted to RON 916,509 thousand.
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 5.

| RON thousand | | *Group* | *Bank* | |
|---|---|---|---|---|
| **Common Equity Tier 1 capital: instruments and reserves** | | **30-Jun-20** | **30-Jun-20** | **((B) Reference article from EU Regulation no.575/2013** |
| 1 | Capital instruments and the related share premium amounts | 1.200.000 | 1.200.000 | 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 | 0 | ABE list from Article 26 paragraph (3) |
| 2 | Retaines earnings | 3.082.833 | 2.947.869 | Article 26 paragraph (1), point (c ) |
| 3 | Accumulated other comprehensive income (and other reserves, ti include unrealised gains and losses under the applicable accounting standards) | 272.498 | 270.325 | Article 26 paragraph (1) |
| 5a | Independently reviewed interim profits net of any forseeable charge or dividends | 0 | 0 | Article 26 paragraph (2) |
| 6 | Common Equity Tier 1 (CET1) capital before regulatory adjustments | **4.555.331** | **4.418.194** | |
| **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | | | | |
| 7 | (-) Additional value adjustments (negative amount) | -8.653 | -8.593 | Articles 34, 105 |
| 8 | (-) Intangible assets (net of related tax liability (negative amount) | -251.025 | -247.423 | Article 36, paragraph (1) point (b), Article 37, Article 472 paragraph (4) |
| 26a | Regulatory adjustements 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 | 0 | 0 | Article 481 |

| RON thousand | | Group | Bank | |
|---|---|---|---|---|
| **Common Equity Tier 1 capital: instruments and reserves** | | **30-Jun-20** | **30-Jun-20** | **((B) Reference article from EU Regulation no.575/2013** |
| | and deductions required pre CRR | | | |
| | Of which: (-) Intangible assets (net of related tax liability) | 0 | 0 | Article 481 |
| 26c | Adjustments due transitional arrangements of the introduction IFRS 9 | 147.961 | 147.896 | |
| 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)** | -111.716 | -108.120 | |
| **29** | **Common equity Tier 1 (CET1)** | 4.443.615 | 4.310.074 | |
| **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 Commom 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), ary 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 | 0 | 0 | Article 467 |

| RON thousand | | *Group* | *Bank* | |
|---|---|---|---|---|
| **Common Equity Tier 1 capital: instruments and reserves** | | **30-Jun-20** | **30-Jun-20** | **((B) Reference article from EU Regulation no.575/2013** |
| | on more favorable terms than those on the market | | | |
| **43** | **Total regulatory adjustments to Additional Tier 1 (AT1) capital** | **0** | **0** | |
| **44** | **Additional Tier 1 (AT1) capital** | **238.575** | **238.575** | |
| **45** | **Tier 1 capital (T1= CET1+AT1)** | **4.682.190** | **4.548.649** | |
| **Tier 2 (T2) capital: instruments and provisions** | | | | |
| 46 | Capital instruments and the related share premium accounts | 820.764 | 820.764 | Article 62, 63 |
| 49 | Instrumentele emise de filiale care fac obiectul eliminarii progresive | | -12.000 | |
| 50 | Credit risk adjustments | 106.881 | 107.745 | Article 62 lit c) si (d) |
| **51** | **Tier 2 (T2) capital before regulation adjustments** | 927.645 | 916.509 | |
| **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 adjustments and adjustments for IFRS depreciation | 0 | 0 | Article 467 |
| **57** | **Total regulatory adjustments to Tier 2 (T2)** | **0** | **0** | |
| **58** | **Tier 2 (T2)** | **927.645** | **916.509** | |
| **59** | **Total capital (TC = T1 + T2)** | **5.609.835** | **5.465.158** | |
| **60** | **Total risk weighted assets** | **24.790.630** | **23.579.238** | |
| **Capital ratio and buffers** | | | | |
| 61 | Common Equity Tier 1 (as a percentage of risk exposure amount) | 17,92% | 18,28% | Article 92 paragraph (2) lit (a), Article 465 |
| 62 | Tier 1 (as a percentage of risk exposure amount) | 18,89% | 19,29% | Article 92 paragraph (2) lit (b), Article 465 |

| RON thousand | | *Group* | *Bank* | |
|---|---|---|---|---|
| **Common Equity Tier 1 capital: instruments and reserves** | | **30-Jun-20** | **30-Jun-20** | **((B) Reference article from EU Regulation no.575/2013** |
| 63 | Total capital (as a percentage of risk exposure amount) | 22,63% | 23,18% | 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 6.

| | 30-June-2020 | |
|---|---|---|
| ***RON thousand*** | **Group** | **Bank** |
| Outstanding subordinated loan | 411,596 | 411,596 |
| Subordinated loan accrued interest and amortized fees | 2,471 | 2,471 |
| Amortisation of subordinated Loans according Art 64, Regulation 575/2013 | 70,832 | 70,832 |
| Debt securities issued | 480,000 | 480,000 |
| Amount in Own Funds | 820,764 | 820,764 |

**Reconciliation of other intangibles assets in the financial statements and own**
Table 7.

**Group** **30-June-2020**

| RON thousand | IFRS | CRR | Deferred tax liabilities associated to other intangible assets | Prudential adjustments | Own Funds |
|---|---|---|---|---|---|
| Other intangible assets | 252,374 | 252,374 | 1,348 | 0 | 251,026 |
| 100% deducted from CET 1 according transitional approach | 0 | 0 | 0 | 0 | 251,026 |
| 0% deducted from AT 1 according transitional approach | 0 | 0 | 0 | 0 | 0 |
| Goodwill | 0 | 0 | 0 | 0 | 0 |
| **Other intangible assets** | **252,374** | **252,374** | **1,348** | **0** | **251,026** |

**Bank** **30-June-2020**

| RON thousand | IFRS | CRR | Deferred tax liabilities associated to other intangible assets | Prudential adjustments | Own Funds |
|---|---|---|---|---|---|
| Other intangible assets | 248,771 | 248,771 | 1,348 | 0 | 247,423 |
| 100% deducted from CET 1 according transitional approach | 0 | 0 | 0 | 0 | 247,423 |
| 0% deducted from AT 1 according transitional approach | 0 | 0 | 0 | 0 | 0 |
| Goodwill | 0 | 0 | 0 | 0 | 0 |
| **Other intangible assets** | **248,771** | **248,771** | **1,348** | **0** | **247,423** |

# 4. Article 438 CRR Capital Requirements

Maintaining an adequate level of capital is a core objective of the Group. As of 30 June 2020, the risk weighted assets determined based on prudential requirements - local standards (stop accruals are not applied) are as follows:

Table 8.

| In RON thousand | 2020 | |
|---|---|---|
| | **Bank** | **Group** |
| TOTAL RISK EXPOSURE AMOUNT | **23,579,238** | **24,787,494** |
| 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 | **19,122,655** | **19,824,290** |
| Standardised approach (SA) | ***1,165,231*** | ***2,010,843*** |
| SA exposure classes excluding securitisation positions | ***1,165,231*** | ***2,010,843*** |
| Central governments or central banks | 0 | 0 |
| Regional governments or local authorities | 176,765 | 180,614 |
| Public sector entities | 45,318 | 45,318 |
| Multilateral Development Banks | 0 | 0 |
| International Organisations | 0 | 0 |
| Institutions | 18,778 | 17,396 |
| Corporates | 21,920 | 528,792 |
| Retail | 60,635 | 306,346 |
| Secured by mortgages on immovable property | 5,660 | 38,037 |
| Exposures in default | 1,637 | 52,774 |
| 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 | 8,172 |
| Equity | 0 | 1 |
| Other items | 834,518 | 833,393 |
| Securitisation positions SA | ***0*** | ***0*** |
| of which: resecuritisation | ***0*** | ***0*** |
| Internal ratings based Approach (IRB) | ***17,957,424*** | ***17,813,448*** |
| IRB approaches when neither own estimates of LGD nor Conversion Factors are used | ***10,221,671*** | ***10,217,432*** |
| Central governments and central banks | 914,392 | 914,392 |
| Institutions | 670,011 | 665,772 |
| Corporates - SME | 2,731,890 | 2,731,890 |
| Corporates - Specialised Lending | 1,478,876 | 1,478,876 |
| Corporates - Other | 4,426,502 | 4,426,502 |
| IRB approaches when own estimates of LGD and/or Conversion Factors are used | ***7,431,517*** | ***7,431,517*** |
| Central governments and central banks | 0 | 0 |
| Institutions | 0 | 0 |

| In RON thousand | 2020 | |
|---|---|---|
| | **Bank** | **Group** |
| Corporates - SME | 0 | 0 |
| Corporates - Specialised Lending | 0 | 0 |
| Corporates - Other | 0 | 0 |
| Retail - Secured by real estate SME | 0 | 0 |
| Retail - Secured by real estate non-SME | 2,344,803 | 2,344,803 |
| Retail - Qualifying revolving | 591,864 | 591,864 |
| Retail - Other SME | 563,105 | 563,105 |
| Retail - Other non-SME | 3,931,744 | 3,931,744 |
| Equity IRB | *205,937* | *66,199* |
| Securitisation positions IRB | ***0*** | ***0*** |
| Of which: resecuritisation | *0* | *0* |
| Other non credit-obligation assets | *98,300* | *98,300* |
| 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 | **220,718** | **220,007** |
| Risk exposure amount for position, foreign exchange and commodities risks under standardised approaches (SA) | ***220,718*** | ***220,007*** |
| Traded debt instruments | 72,312 | 72,312 |
| Equity | 0 | 0 |
| Foreign Exchange | 148,406 | 147,696 |
| 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 | 193 | 193 |
| Advanced method | 0 | 0 |
| Standardised method | 193 | 193 |
| 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 |

| In RON thousand | 2020 | |
|---|---|---|
| | Bank | Group |
| Of which: Additional risk exposure amount due to Article 3 CRR | 0 | 0 |

| Bank level, in RON thousand | RWA | | Capital requirements |
|---|---|---|---|
| | 2020 | 2019 | 2019 |
| **Credit risk (excludingCCR)** | **19,001,675** | **18,712,527** | **1,520,134** |
| Of which the standardized approach | 1,165,231 | 3,205,639 | 93,219 |
| Of which the foundationIRB (FIRB) approach | 10,198,990 | 8,375,981 | 815,919 |
| Of which the advancedIRB (AIRB) approach | 7,431,517 | 6,932,502 | 594,521 |
| Of which equity IRB under the simple risk-weighted approach or the IMA | 205,937 | 198,406 | 16,475 |
| **CCR** | **22,873** | **26,624** | **1,830** |
| Of which mark to market | 22,681 | 26,353 | 1,814 |
| 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 | 193 | 272 | 15 |
| Settlementrisk | - | - | - |
| Securitization exposures in the bankingbook(afterthecap) | - | - | - |
| Of which IRBapproach | - | - | - |
| Of which IRBsupervisory formula approach(SFA) | - | - | - |
| Of which internal assessment approach(IAA) | - | - | - |
| Of which standardized approach | - | - | - |
| Marketrisk | **220,718** | **303,170** | **17,657** |
| Of which the standardized approach | 220,718 | 303,170 | 17,657 |
| Of which IMA | - | - | - |
| Largee xposures | - | - | - |
| **Operational risk** | **4,235,673** | **4,235,673** | **338,854** |
| Of which basic indicator approach | - | - | - |
| Of which standardized approach | 4,235,673 | 4,235,673 | 338,854 |
| Of which advanced measurement approach | - | - | - |
| Amounts below the thresholds for deduction (subject to 250% risk weight) | - | - | - |
| Floor adjustment | - | - | - |
| **Total** | **23,579,238** | **23,277,994** | **1,886,339** |

As of 30 June 2020, the project finance exposures, based on classification category, are as follows:
Table 9.

| 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 | 261,594 | 141,041 | 50% | 338,418 | 165,547 | 0 |
| | Equal to or more than 2.5 years | 1,361,504 | 169,597 | 70% | 1,488,578 | 995,775 | 5,954 |
| Category 2 | Less than 2.5 years | 0 | 0 | 70% | 0 | 0 | 0 |
| | Equal to or more than 2.5 years | 349,669 | 6,295 | 90% | 354,390 | 317,554 | 2,835 |
| Category 3 | Less than 2.5 years | 0 | 0 | 115% | 0 | 0 | 0 |
| | 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 | 74,871 | 300 | 0% | 74,931 | 0 | 37,465 |
| | Equal to or more than 2.5 years | 0 | 0 | 0% | 0 | 0 | 0 |
| **Total** | | **2,047,638** | **317,234** | | **2,256,317** | **1,478,876** | **46,255** |

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

## 5. 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 30 June 2020 Raiffeisen Bank S.A. did not have exposure for which a deterioration in credit quality could affect collateral level.

As of 30 June 2020 Raiffeisen Bank S.A. did not have credit derivate instruments.

As of 30 June 2020, the value exposed to risk measured with CRR methods usage, for the transactions under credit risk of counterparty, was as follows:

Table 10.

| **In RON thousand** | **Bank level** | | |
|---|---|---|---|
| **Exposures / Transactions subject to counterparty credit risk** | **Original exposure** | **Volatility adjustment** | **Risk weighted assets** |
| Total, of which: | **1,022,951** | **0** | **22,681** |
| Corporate | **219,575** | **0** | **11,262** |
| Securities Financing Transactions | *193,878* | *0* | *0* |
| Derivatives & Long Settlement Transactions | *25,697* | *0* | *11,262* |
| Institutions | **803,375** | **0** | **11,419** |
| Securities Financing Transactions | *755,350* | *0* | *0* |
| Derivatives & Long Settlement Transactions | *48,025* | *0* | *11,419* |

| | **Notional** | **Replacement cost/current market value** | **Potential future credit exposure** | **EEPE** | **Multiplier** | **EAD post CRM** | **RWA amount s** |
|---|---|---|---|---|---|---|---|
| Mark to market | | 28,256 | 45,466 | | | 73,722 | 22,681 |
| Original exposure | | | | | | | |
| Standardized approach | | | | | | | |
| IMM (for derivatives and SFTs) | | | | | | | |
| Of which securities financing transactions | | | | | | | |
| Of which derivatives and long settlement transactions | | | | | | | |
| Of which from contractual cross-product netting | | | | | | | |
| Financial collateral simple method (for SFTs) | | | | | | | |

| | Notional | Replacement cost/current market value | Potential future credit exposure | EEPE | Multiplier | EAD post CRM | RWA amounts |
|---|---|---|---|---|---|---|---|
| Financial collateral comprehensive method (for SFTs) | | | | | | 0 | 0 |
| VaR for SFTs | | | | | | | |
| **Total** | - | **28,256** | **45,466** | | | **73,722** | **22,681** |

**Correlation risk**

As of 30 June 2020, correlation risks between derivative transactions and assets received to cover credit exposure were not considered.

# 6. Article 440 CRR countercyclical capital buffer

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

# 7. Article 441 CRR Indicators of systemic importance

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

# 8. Article442 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 (non-retail)

**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 were 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 term 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 Portfolio-based loan losses calculation

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

Starting with IFRS9 implementation (1st 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:

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

b) 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:

$$ECL_t(SC_i) = PD_{t-1,t}(SC_i) \,.\, LGD_t(SC_i) \,.\, EAD_t(SC_i) \quad (8.1)$$

where:

- $\boldsymbol{PD_{t-1,t}(SC_i)}$ 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*:

$$Discounted\ ECL_t(\mathrm{SC_i}) = \frac{ECL_t(SC_i)}{(1+EIR)^{t/12}} \quad (8.2)$$

where EIR is effective interest rate.
**Step 4**: Calculate total ECL for each macro-economic scenario $SC_i$

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

where *m* is:

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

**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.

$$ECL = Exposure \cdot BEEL_IFRS$$

### 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:

- The exposure was classified as default/Stage 3 according to IFRS 9;
- Performing restructured exposure that was reclassified from non-performing exposure and for which the restructuring measures have been extended during the monitoring time frame;
- 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.

**Non-retail**
For non-retail clients, when terms or loan conditions are modified in favour of the customer, the Group differentiates between normal renegotiation and forborne loans according to the definition of the EBA document "Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures)". According to EBA definition, non-performing exposure includes exposure without any reason for default according to Article 178 CRR, but has been reclassified from non-performing status and subsequently, during the probationary period as performing restructured, restructuring measures have been extended or 30 days of overdue payment were recorded.
Loans are defined as forborne if the debtor is assessed to have financial difficulties and the modification is assessed as concession. For non-retail customers, financial difficulties are measured by means of an internal early warning system and assessed by financial and risk analysts. Such loans are rated 7 or below 7 in the internal rating scale, which means that such loans have marginal credit standing or worse.
IFRS 9 requires that impairment losses for Stage 1, 2 and 3 must be derived from an expected loss event. Pursuant to article 178 CRR default continues to be main indicator for Stage 3.

Retail

For retail customers, the restructured loans are subject to probation period for one year in terms of non-performing status extended to the period until the exit criteria is met. In the case of a non-performing exposure to Micro SME, the non-performing status is applied at debtor level.
In 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 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 11.

| Group | Gross carrying amount | | Specific credit risk adjustment | General credit risk adjustment | Accumulated write-offs | Credit risk adjustment charges of the period | Net values |
|---|---|---|---|---|---|---|---|
| Article 442 (g)<br>EU CR1-BG A | Defaulted exposures | Non-defaulted exposures | | | | | (a +b-c-d) |
| Central governments or central banks | - | 5,064,562 | - | - | - | - | 5,064,562 |
| Institutions | - | 3,848,989 | 103 | - | - | (76) | 3,848,886 |
| Corporates | 439,417 | 16,672,442 | 401,174 | - | 209,693 | (115,545) | 16,710,685 |
| Of which: Specialized lending | 68,760 | 2,238,655 | 65,563 | - | 30,266 | (8,898) | 2,241,852 |
| Of which: SMEs | 183,782 | 6,220,380 | 145,392 | - | 117,242 | (48,855) | 6,258,770 |
| Retail | 906,658 | 18,690,496 | 897,127 | - | 365,829 | (135,373) | 18,700,027 |
| Secured by real estate property | 382,598 | 7,202,979 | 312,645 | - | - | 11,557 | 7,272,932 |
| SMEs | - | - | - | - | - | - | - |
| Non-SMEs | 382,598 | 7,202,979 | 312,645 | - | - | 11,557 | 7,272,932 |
| Qualifying revolving | 50,267 | 4,328,155 | 53,113 | - | - | (10,040) | 4,325,309 |

| Group | Gross carrying amount | | Specific credit risk adjustment | General credit risk adjustment | Accumulated write-offs | Credit risk adjustment charges of the period | Net values |
|---|---|---|---|---|---|---|---|
| **Article 442 (g)**<br>**EU CR1-BG A** | **Defaulted exposures** | **Non-defaulted exposures** | | | | | **(a +b-c-d)** |
| Other retail | 473,794 | 7,159,362 | 531,369 | - | 365,829 | (136,890) | 7,101,787 |
| SMEs | 81,169 | 1,263,917 | 69,711 | - | - | (8,170) | 1,275,375 |
| Non-SMEs | 392,625 | 5,895,445 | 461,658 | - | - | (128,720) | 5,826,412 |
| Equity | - | 71,253 | - | - | - | - | 71,253 |
| **Total IRB approach** | 1,346,075 | 44,347,743 | 1,298,404 | - | 575,522 | (250,994) | 44,395,413 |
| Central governments or central banks | - | 6,469,329 | 83 | - | - | - | 6,469,246 |
| Regional governments or local authorities | - | 988,255 | 4,055 | - | - | 3,547 | 984,200 |
| Public sector entities | - | 45,485 | 167 | - | - | (128) | 45,318 |
| Multilateral development banks | - | 43,213 | - | - | - | - | 43,213 |
| Institutions | - | 11,860 | - | - | - | - | 11,860 |
| Corporates | - | 2,062,035 | 7,262 | - | - | (69) | 2,054,773 |
| Of which: SMEs | - | 419,875 | 4,647 | - | - | (149) | 415,228 |
| Retail | - | 508,120 | 8,682 | - | - | (527) | 499,438 |

| Group | Gross carrying amount | | Specific credit risk adjustment | General credit risk adjustment | Accumulated write-offs | Credit risk adjustment charges of the period | Net values |
|---|---|---|---|---|---|---|---|
| **Article 442 (g)**<br>**EU CR1-BG A** | **Defaulted exposures** | **Non-defaulted exposures** | | | | | **(a +b-c-d)** |
| Of which: SMEs | - | 477,401 | 8,317 | - | - | (526) | 469,084 |
| Secured by mortgages on immovable property | - | 49,087 | 973 | - | - | (595) | 48,114 |
| Of which: SMEs | - | 17,016 | 838 | - | - | (587) | 16,178 |
| Exposures in default | 57,012 | - | 32,185 | - | 1,270 | (118) | 24,827 |
| Collective investments undertakings | - | 11,399 | - | - | - | - | 11,399 |
| Equity exposures | - | 1,770 | - | - | - | - | 1,770 |
| Other exposures | - | 5,265,146 | (1,160) | - | 212,561 | 52,606 | 5,266,306 |
| **Total standardized approach** | 57,012 | 15,455,699 | 52,247 | - | 213,831 | 54,716 | 15,460,464 |
| **Total** | 1,403,087 | 59,803,442 | 1,350,651 | - | 789,353 | (196,278) | 59,855,877 |
| of which: Loans | 756,735 | 30,625,257 | 1,250,395 | - | 789,353 | (196,278) | 30,131,597 |
| of which: Debt securities | - | 8,758,174 | 201 | - | - | - | 8,757,973 |
| of which: Off-balance exposures | 139,598 | 12,892,763 | 101,885 | - | - | (73,470) | 12,930,476 |

| Bank | Gross carrying amount | | Specific credit risk adjustment | General credit risk adjustment | Accumulated write-offs | Credit risk adjustment charges of the period | Net values |
|---|---|---|---|---|---|---|---|
| **Articolul 442 (g)**<br>**EU CR1-BG A** | **Defaulted exposures** | **Non-defaulted exposures** | | | | | **(a +b-c-d)** |
| Central governments or central banks | - | 5,064,562 | - | - | - | - | 5,064,562 |
| Institutions | - | 3,848,988 | 103 | - | - | (76) | 3,848,885 |
| Corporates | 439,417 | 17,181,223 | 401,174 | - | 209,693 | (115,545) | 17,219,466 |
| Of which: Specialized lending | 68,760 | 2,238,655 | 65,563 | - | 30,266 | (8,898) | 2,241,852 |
| Of which: SMEs | 183,782 | 6,220,380 | 145,392 | - | 117,242 | (48,855) | 6,258,770 |
| Retail | 906,658 | 18,690,496 | 897,127 | - | 365,829 | (139,052) | 18,700,027 |
| Secured by real estate property | 382,598 | 7,202,980 | 312,645 | - | - | 11,557 | 7,272,933 |
| SMEs | - | - | - | - | - | - | - |
| Non-SMEs | 382,598 | 7,202,980 | 312,645 | - | - | 11,557 | 7,272,933 |
| Qualifying revolving | 50,267 | 4,328,155 | 53,113 | - | - | (10,040) | 4,325,309 |
| Other retail | 473,794 | 7,159,362 | 531,369 | - | 365,829 | (136,890) | 7,101,787 |
| SMEs | 81,169 | 1,263,917 | 69,711 | - | - | (8,170) | 1,275,375 |

| Bank | Gross carrying amount | | Specific credit risk adjustment | General credit risk adjustment | Accumulated write-offs | Credit risk adjustment charges of the period | Net values |
|---|---|---|---|---|---|---|---|
| **Articolul 442 (g)**<br><br>**EU CR1-BG A** | **Defaulted exposures** | **Non-defaulted exposures** | | | | | **(a +b-c-d)** |
| Non-SMEs | 392,625 | 5,895,445 | 461,658 | - | - | (128,720) | 5,826,412 |
| Equity | - | 171,278 | - | - | - | - | 171,278 |
| **Total IRB approach** | 1,346,075 | 44,956,548 | 1,298,404 | - | 575,522 | (254,673) | 45,004,218 |
| Central governments or central banks | - | 6,158,497 | - | - | - | - | 6,158,497 |
| Regional governments or local authorities | - | 969,101 | 3,938 | - | - | 3,547 | 965,163 |
| Public sector entities | - | 45,484 | 167 | - | - | (128) | 45,317 |
| Multilateral development banks | - | 43,213 | - | - | - | - | 43,213 |
| Corporates | - | 1,422,387 | 1,565 | - | - | (69) | 1,420,822 |
| Of which: SMEs | - | 15,000 | 222 | - | - | (149) | 14,778 |
| Retail | - | 77,016 | 1,579 | - | - | (527) | 75,437 |
| Of which: SMEs | - | 76,010 | 1,569 | - | - | (526) | 74,441 |
| Secured by mortgages on immovable property | - | 18,316 | 846 | - | - | (595) | 17,470 |

| Bank | Gross carrying amount | | Specific credit risk adjustment | General credit risk adjustment | Accumulated write-offs | Credit risk adjustment charges of the period | Net values |
|---|---|---|---|---|---|---|---|
| **Articolul 442 (g)**<br>**EU CR1-BG A** | **Defaulted exposures** | **Non-defaulted exposures** | | | | | **(a +b-c-d)** |
| Of which: SMEs | - | 17,017 | 838 | - | - | (587) | 16,179 |
| Exposures in default | 5,703 | - | 4,071 | - | - | (118) | 1,632 |
| Equity exposures | - | - | - | - | - | - | - |
| Other exposures | - | 5,225,371 | (1,155) | - | 212,561 | 58,800 | 5,226,526 |
| **Total standardized approach** | 5,703,0 | 13,959,385,0 | 11,011,0 | - | 212,561,0 | 60,910,0 | 13,954,077,0 |
| **Total** | 1,351,778 | 58,915,933 | 1,309,415 | - | 788,083 | (193,763) | 58,958,295 |
| of which: Loans | 705,426 | 28,867,236 | 1,209,447 | - | 788,083 | (193,763) | 29,572,662 |
| of which: Debt securities | - | 8,634,154 | - | - | - | - | 8,634,154 |
| of which: Off-balance exposures | 139,598 | 12,848,924 | 101,694 | - | - | (73,470) | 12,886,828 |

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

Table 12.

| Group | Gross carrying amount | | Specific credit risk adjustment | General credit risk adjustment | Accumulated write-offs | Credit risk adjustment charges of the period | Net values |
|---|---|---|---|---|---|---|---|
| **Articolul 442 (g) EU CR1-B** | **Defaulted exposures** | **Non-defaulted exposures** | | | | | **Defaulted exposures** |
| Agriculture, forestry and fishing | 22,462 | 1,283,970 | 20,993 | - | 7,314 | (9,452) | 1,285,438 |
| Mining and quarrying | 999 | 334,575 | 1,236 | - | 2,192 | (248) | 334,338 |
| Manufacturing | 137,679 | 3,612,231 | 85,664 | - | 65,420 | (25,272) | 3,664,247 |
| Electricity, gas, steam and air conditioning supply | 8,141 | 701,511 | 7,039 | - | 30,659 | 706 | 702,613 |
| Water supply | 1,681 | 232,835 | 5,083 | - | 445 | (1,289) | 229,433 |
| Construction | 118,211 | 2,260,493 | 89,490 | - | 38,689 | (13,043) | 2,289,214 |
| Wholesale and retail trade | 107,488 | 5,749,471 | 123,802 | - | 89,327 | (32,641) | 5,733,157 |
| Transport and storage | 41,596 | 1,660,296 | 43,472 | - | 10,514 | (14,901) | 1,658,420 |
| Accommodation and food service activities | 2,746 | 388,824 | 7,040 | - | 3,347 | (4,278) | 384,529 |
| Information and communication | 42,947 | 461,255 | 40,492 | - | 1,315 | (509) | 463,710 |
| Real estate activities | 68,927 | 1,527,565 | 56,172 | - | 30,058 | (7,781) | 1,540,321 |
| Professional, scientific and technical activities | 7,361 | 567,352 | 13,849 | - | 4,337 | (6,979) | 560,864 |
| Administrative and support service activities | 3,758 | 322,785 | 5,434 | - | 682 | (1,709) | 321,109 |
| Public administration and defence,compulsory social security | - | 9,675,714 | 4,396 | - | - | 3,321 | 9,671,318 |
| Education | 217 | 56,498 | 625 | - | - | (387) | 56,090 |
| Human health services and social work activities | 4,419 | 461,513 | 9,185 | - | 925 | (3,618) | 456,748 |
| Arts, entertainment and recreation | 3,121 | 29,779 | 1,838 | - | 8,172 | (503) | 31,061 |
| Other services | 831,335 | 30,476,774 | 834,840 | - | 495,957 | (77,696) | 30,473,268 |
| **Total** | **1,403,087** | **59,803,442** | **1,350,651** | **-** | **789,353** | **(196,278)** | **59,855,877** |

| Bank | Gross carrying amount | | Specific credit risk adjustment | General credit risk adjustment | Accumulated write-offs | Credit risk adjustment charges of the period | Net values |
|---|---|---|---|---|---|---|---|
| **Article 442 (g) EU CR1-B** | **Defaulted exposures** | **Non-defaulted exposures** | | | | | **(a+b-c-d)** |
| Agriculture, forestry and fishing | 19,120 | 1,227,059 | 19,602 | - | 7,314 | (9,452) | 1,226,577 |
| Mining and quarrying | 681 | 327,395 | 841 | - | 2,192 | (248) | 327,235 |
| Manufacturing | 131,219 | 3,478,338 | 78,810 | - | 65,420 | (25,272) | 3,530,747 |
| Electricity, gas, steam and air conditioning supply | 8,141 | 701,143 | 7,025 | - | 30,659 | 706 | 702,259 |
| Water supply | 1,458 | 197,523 | 4,722 | - | 445 | (1,289) | 194,259 |
| Construction | 113,684 | 2,167,080 | 86,912 | - | 38,689 | (13,043) | 2,193,852 |
| Wholesale and retail trade | 101,976 | 5,526,390 | 119,097 | - | 89,327 | (32,641) | 5,509,269 |
| Transport and storage | 20,540 | 1,330,592 | 28,810 | - | 10,514 | (14,901) | 1,322,322 |
| Accommodation and food service activities | 2,211 | 350,242 | 6,692 | - | 3,347 | (4,278) | 345,761 |
| Information and communication | 41,583 | 444,044 | 39,149 | - | 1,315 | (509) | 446,478 |
| Real estate activities | 65,416 | 1,467,178 | 52,942 | - | 28,789 | (7,781) | 1,479,652 |
| Professional, scientific and technical activities | 6,765 | 526,123 | 12,938 | - | 4,337 | (6,979) | 519,950 |
| Administrative and support service activities | 3,135 | 300,443 | 4,926 | - | 682 | (1,709) | 298,652 |
| Public administration and defence,compulsory social security | - | 9,339,659 | 4,195 | - | - | 3,321 | 9,335,464 |
| Education | 209 | 55,445 | 611 | - | - | (387) | 55,043 |
| Human health services and social work activities | 1,265 | 436,870 | 5,756 | - | 925 | (3,618) | 432,379 |
| Arts, entertainment and recreation | 3,114 | 25,183 | 1,742 | - | 8,172 | (503) | 26,555 |
| Other services | 831,262 | 31,015,228 | 834,648 | - | 495,956 | (75,180) | 31,011,842 |
| **Total** | **1,351,779** | **58,915,935** | **1,309,418** | **-** | **788,083** | **(193,763)** | **58,958,295** |

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

Table 13.

| **Group** | **Gross carrying amount** | | **Specific credit risk adjustment** | **General credit risk adjustment** | **Accumulated write-offs** | **Credit risk adjustment charges of the period** | **Net values** |
|---|---|---|---|---|---|---|---|
| **Article 442 (g)**<br>**EU CR1-C** | **Defaulted exposures** | **Non-defaulted exposures** | | | | | **(a+ b -c-d)** |
| Bucharest-Ilfov | 409,023 | 23,388,692 | 409,860 | - | 147,419 | (68,048) | 23,387,857 |
| Center | 111,737 | 3,752,978 | 117,059 | - | 106,337 | (26,340) | 3,747,656 |
| North-East | 88,149 | 2,748,938 | 93,846 | - | 31,228 | (16,373) | 2,743,241 |
| North-West | 189,783 | 3,350,894 | 156,691 | - | 34,895 | (31,471) | 3,383,986 |
| Other countries | 3,413 | 11,659,029 | 7,189 | - | 215,740 | 50,376 | 11,655,253 |
| Other areas | 1,508 | 46,886 | 1,508 | - | - | - | 46,886 |
| South-Muntenia | 294,967 | 4,642,646 | 245,224 | - | 96,722 | (43,490) | 4,692,389 |
| South -East | 106,513 | 4,464,606 | 115,412 | - | 62,267 | (23,725) | 4,455,707 |
| South -West Oltenia | 84,811 | 2,391,782 | 87,298 | - | 30,456 | (13,615) | 2,389,295 |
| West | 113,183 | 3,356,991 | 116,562 | - | 64,289 | (23,590) | 3,353,612 |
| **Total** | 1,403,087 | 59,803,442 | 1,350,651 | - | 789,353 | (196,278) | 59,855,877 |

| Bank | Gross carrying amount | | Specific credit risk adjustment | General credit risk adjustment | Accumulated write-offs | Credit risk adjustment charges of the period | Net values |
|---|---|---|---|---|---|---|---|
| Article 442 (g)<br>EU CR1-C | Defaulted exposures | Non-defaulted exposures | | | | | (a+ b -c-d) |
| Bucharest-Ilfov | 400,284 | 23,249,733 | 402,426 | - | 146,757 | (65,532) | 23,247,591 |
| Center | 105,871 | 3,632,090 | 111,602 | - | 106,273 | (26,340) | 3,626,359 |
| North-East | 80,360 | 2,658,598 | 87,873 | - | 31,002 | (16,373) | 2,651,085 |
| North-West | 181,006 | 3,238,283 | 150,432 | - | 34,870 | (31,471) | 3,268,857 |
| Othercountries | 3,413 | 11,658,863 | 7,189 | - | 215,740 | 50,376 | 11,655,087 |
| Otherareas | 1,508 | 43,213 | 1,508 | - | - | - | 43,213 |
| South-Muntenia | 284,141 | 4,430,804 | 236,194 | - | 96,465 | (43,490) | 4,478,751 |
| South-East | 102,647 | 4,369,047 | 112,367 | - | 62,267 | (23,725) | 4,359,327 |
| South-WestOltenia | 82,789 | 2,345,298 | 85,933 | - | 30,455 | (13,615) | 2,342,154 |
| West | 109,760 | 3,290,006 | 113,894 | - | 64,254 | (23,593) | 3,285,872 |
| **Total** | **1,351,779** | **58,915,935** | **1,309,418** | **-** | **788,083** | **(193,763)** | **58,958,295** |

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 14.

***Group***

| Article 442 (g) EU CR1-D | Gross carrying amount | | | | | |
|---|---|---|---|---|---|---|
| | **≤ 30 days** | **> 30 zile ≤ 60 zile** | **> 60 days ≤ 90 days** | **> 90 days ≤ 180 days** | **> 180 days ≤ 1 year** | **> 1 year** |
| Loans | 1,132,496 | 108,072 | 80,068 | 140,656 | 128,939 | 450,874 |
| Debt securities | - | - | - | - | - | - |
| **Total exposures** | **1,132,496** | **108,072** | **80,068** | **140,656** | **128,939** | **450,874** |

***Bank***

| Article 442 (g) EU CR1-D | Gross carrying amount | | | | | |
|---|---|---|---|---|---|---|
| | **≤ 30 days** | **> 30 zile ≤ 60 zile** | **> 60 days ≤ 90 days** | **> 90 days ≤ 180 days** | **> 180 days ≤ 1 year** | **> 1 year** |
| Loans | 1,108,844 | 104,718 | 77,388 | 137,123 | 121,017 | 430,236 |
| Debt securities | - | - | - | - | - | - |
| **Total exposures** | **1,108,844** | **104,718** | **77,388** | **137,123** | **121,017** | **430,236** |

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

Table 15.

***Group***

| **Article442(g) EUCR1-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 defaulted** | **Of which impaired** | | **Of which forborne** | | **Of which forborne** | | |
| Debtsecurities | 8,728,943 | - | - | - | - | - | - | (7,575) | - | - | - | - | - |
| Loansandadvances | 30,264,505 | 88,454 | 30,264,505 | 1,283,189 | 1,281,905 | 1,242,817 | 17,516,405 | (404,057) | 146,194 | (866,388) | 34,724 | 231,684 | 227,425 |
| Off-balance-sheetexposures | 13,032,360 | - | 13,032,360 | 140,177 | 139,619 | 139,553 | 9,214,856 | 43,633 | - | 58,252 | - | 11,230 | 6,389 |

***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 performin g 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 | 8,426,792 | - | - | - | - | - | - | (7,331) | - | - | - | - | - |
| Loans and advances | 29,264,840 | 84,483 | 169,376 | 1,196,175 | 1,195,853 | 1,192,154 | 426,892 | (391,130) | (4,974) | (818,317) | (284,615) | 192,943 | 215,494 |
| Off-balance-sheet exposures | 12,989,055 | - | 740 | 139,619 | 139,619 | 139,553 | 13,926 | 43,442 | 7 | 58,252 | 7,952 | 11,230 | 6,389 |

According with first section of Annex 5 Of EU Regulation Number 680/2014 tables NPL 1, NPL 3, NPL 4, and NPL 9 are based on FINREP reporting requirements.

**Credit quality of forborne exposures (table NPL 1)**
Table 16.

| | Group RON TSD | Gross carrying amount/nominal amount of exposures with forbearance measures | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | Collateral received and financial guarantees received on forborne exposures | |
|---|---|---|---|---|---|---|---|---|---|
| | | Performing forborne | Non-performing forborne | | | On performing forborne exposures | On non-performing forborne exposures | | Of which collateral and financial guarantees received on non-performing exposures with forbearance measures |
| | | | | Of which defaulted | Of which impaired | | | | |
| 1 | Loans and advances | 174,705 | 444,179 | 443,808 | 418,059 | -5,154 | -294,310 | 227,425 | 142,276 |
| 2 | *Central banks* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | *General governments* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | *Credit institutions* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 | *Other financial corporations* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | *Non-financial corporations* | 61,147 | 160,611 | 160,611 | 160,610 | -1,164 | -99,732 | 84,802 | 53,286 |
| 7 | *Households* | 113,558 | 283,568 | 283,197 | 257,449 | -3,990 | -194,578 | 142,622 | 88,9800 |
| 8 | Debt Securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | Loan commitments given | 740 | 13,926 | 13,926 | 13,916 | 7 | 7,952 | 6,388 | 0 |
| ***10*** | ***Total*** | 175,445 | 458,105 | 457,734 | 431,975 | -5,147 | -286,358 | 233,813 | 142,276 |

| | Bank RON TSD | Gross carrying amount/nominal amount of exposures with forbearance measures | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | Collateral received and financial guarantees received on forborne exposures | |
|---|---|---|---|---|---|---|---|---|---|
| | | Performing forborne | Non-performing forborne | | | On performing forborne exposures | On non-performing forborne exposures | | Of which collateral and financial guarantees received on non-performing exposures with forbearance measures |
| | | | | Of which defaulted | Of which impaired | | | | |
| 1 | Loans and advances | 169,376 | 426,892 | 426,521 | 400,771 | -4,974 | -284,615 | 215,493 | 142,276 |
| 2 | *Central banks* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *3* | *General governments* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *4* | *Credit institutions* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *5* | *Other financial corporations* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | *Non-financial corporations* | 55,818 | 143,324 | 143,324 | 143,323 | -983 | -90,037 | 72,871 | 53,2866 |
| *7* | *Households* | 113,558 | 283,568 | 283,197 | 257,449 | -3,990 | -194,578 | 142,622 | 88,990 |
| 8 | Debt Securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | Loan commitments given | 740 | 13,926 | 13,926 | 13,916 | 7 | 7,952 | 6,388 | 0 |
| ***10*** | ***Total*** | **170,116** | **440,818** | **440,447** | **414,687** | **-4,967** | **-276,663** | **221,881** | **142,276** |

**Credit quality of performing and non-performing exposures by past due days (table NPL 3)**

Table 17.

| | Group RON tsd | Gross carrying amount/nominal amount | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Performing exposures | | | Non-performing exposures | | | | | | | | |
| | | | Not past due or past due ≤ 30 days | Past due > 30 days ≤ 90 days | | Unlikely to pay that are not past due or are past due ≤ 90 days | Past due > 90 days ≤ 180 days | Past due > 180 days ≤ 1 year | Past due > 1 year ≤ 2 years | Past due > 2 years ≤ 5 years | Past due > 5 years ≤ 7 years | Past due > 7 years | Of which defaulted |
| 1 | Loans and advances | 28,981,315 | 28,892,861 | 88,454 | 1,283,189 | 554,357 | 138,352 | 126,577 | 253,054 | 146,194 | 34,724 | 29,932 | 1,242,817 |
| 2 | Central banks | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | General governments | 731,184 | 731,184 | 1 | - | | | | | | - | - | - |
| 4 | Credit institutions | 1,188,871 | 1,188,871 | - | 1,508 | - | - | 1,508 | - | - | - | - | 1,508 |
| 5 | Other financial corporations | 421,886 | 421,886 | - | 1 | - | - | - | - | 1 | - | - | 1 |
| 6 | Non-financial corporations | 12,059,707 | 12,043,429 | 16,279 | 442,228 | 148,842 | 17,879 | 24,432 | 144,365 | 68,487 | 16,755 | 21,469 | 441,927 |
| 7 | Of which SMEs | 7,883,141 | 7,867,129 | 16,012 | 307,019 | 83,152 | 14,540 | 22,083 | 120,988 | 32,750 | 15,314 | 18,192 | 306,716 |
| 8 | Households | 14,579,666 | 14,507,492 | 72,174 | 839,452 | 405,516 | 120,473 | 100,636 | 108,689 | 77,706 | 17,969 | 8,463 | 799,380 |
| 9 | Debt securities | 8,728,943 | 8,728,943 | - | - | - | - | - | - | - | - | - | - |
| 10 | Central banks | - | - | - | - | - | - | - | - | - | - | - | - |
| 11 | General governments | 8,682,056 | 8,682,056 | - | - | - | - | - | - | - | - | - | - |
| 12 | Credit institutions | 46,887 | 46,887 | - | - | - | - | - | - | - | - | - | - |
| 13 | Other financial corporations | - | - | - | - | - | - | - | - | - | - | - | - |
| 14 | Non-financial corporations | - | - | - | - | - | - | - | - | - | - | - | - |
| 15 | Off-balance-sheet exposures | 12,892,184 | | | 140,177 | | | | | | | | 139,553 |
| 16 | Central banks | - | | | - | | | | | | | | - |
| 17 | General governments | 102,342 | | | - | | | | | | | | - |
| 18 | Credit institutions | 1,767,022 | | | - | | | | | | | | - |
| 19 | Other financial corporations | 212,771 | | | - | | | | | | | | - |
| 20 | Non-financial corporations | 7,850,021 | | | 128,009 | | | | | | | | 127,452 |
| 21 | Households | 2,960,028 | | | 12,167 | | | | | | | | 12,101 |
| **22** | Total | 50,602,442 | | | 1,423,366 | | | | | | | | 1,382,370 |

| | Bank RON tsd | Gross carrying amount/nominal amount | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Performing exposures | | | Non-performing exposures | | | | | | | | |
| | | | Not past due or past due ≤ 30 days | Past due > 30 days ≤ 90 days | | Unlikely to pay that are not past due or are past due ≤ 90 days | Past due > 90 days ≤ 180 days | Past due > 180 days ≤ 1 year | Past due > 1 year ≤ 2 years | Past due > 2 years ≤ 5 years | Past due > 5 years ≤ 7 years | Past due > 7 years | Of which defaulted |
| 1 | **Group RON tsd** | 28,438,317 | 28,352,090 | 86,227 | 1,232,527 | 535,914 | 135,055 | 118,646 | 234,018 | 146,071 | 32,891 | 29,932 | 1,192,154 |
| 2 | Loans and advances | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Central banks | 731,184 | 731,184 | 1 | - | - | - | - | - | - | - | - | - |
| 4 | General governments | 1,188,723 | 1,188,723 | - | 1,508 | - | - | 1,508 | - | - | - | - | 1,508 |
| 5 | Credit institutions | 924,325 | 924,325 | - | 1 | - | - | - | - | 1 | - | - | 1 |
| 6 | Other financial corporations | 11,090,057 | 11,075,851 | 14,206 | 394,613 | 132,206 | 14,809 | 17,021 | 125,699 | 68,487 | 14,922 | 21,469 | 394,312 |
| 7 | Non-financial corporations | 7,309,127 | 7,295,187 | 13,940 | 270,399 | 66,749 | 11,471 | 17,020 | 109,295 | 32,750 | 14,922 | 18,192 | 270,096 |
| 8 | Of which SMEs | 14,504,027 | 14,432,008 | 72,019 | 836,404 | 403,708 | 120,245 | 100,117 | 108,319 | 77,584 | 17,969 | 8,463 | 796,332 |
| 9 | Households | 8,426,792 | 8,426,792 | - | - | - | - | - | - | - | - | - | - |
| 10 | Debt securities | - | - | - | - | - | - | - | - | - | - | - | - |
| 11 | Central banks | 8,383,578 | 8,383,578 | - | - | - | - | - | - | - | - | - | - |
| 12 | General governments | 43,214 | 43,214 | - | - | - | - | - | - | - | - | - | - |
| 13 | Credit institutions | - | - | - | - | - | - | - | - | - | - | - | - |
| 14 | Other financial corporations | - | - | - | - | - | - | - | - | - | - | - | - |
| 15 | Non-financial corporations | 12,849,435 | | | 139,619 | | | | | | | | 139,553 |
| 16 | Off-balance-sheet exposures | - | | | - | | | | | | | | - |
| 17 | Central banks | 102,342 | | | - | | | | | | | | - |
| 18 | General governments | 1,767,022 | | | - | | | | | | | | - |
| 19 | Credit institutions | 212,771 | | | - | | | | | | | | - |
| 20 | Other financial corporations | 7,808,516 | | | 127,452 | | | | | | | | 127,452 |
| 21 | Non-financial corporations | 2,958,784 | | | 12,167 | | | | | | | | 12,101 |
| **22** | Households | 49,714,544 | 36,778,882 | 86,227 | 1,372,146 | 535,914 | 135,055 | 118,646 | 234,018 | 146,071 | 32,891 | 29,932 | 1,331,707 |

## Information regarding performing and non-performing exposures and related provisions (table NPL 4)

Table 18.

| | Group RON TSD | Gross carrying amount/nominal amount | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | Accumulated partial write-off | Collateral and financial guarantees received | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Performing exposures | | | Non-performing exposures | | | Performing exposures – accumulated impairment and provisions | | | Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | On performing exposures | On non-performing exposures |
| | | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 | | | |
| 1 | Loans and advances | 28,981,314 | **17,516,405** | **9,677,734** | **1,283,189** | **307** | **1,242,816** | **(1,270,445)** | **(98,029)** | **(301,215)** | **(866,388)** | **(209)** | **(846,147)** | **-** | **9,305,103** | **231,684** |
| 2 | Central banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | General governments | 731,184 | 692,124 | 39,063 | - | - | - | (3,978) | (3,699) | (279) | - | - | - | - | 53,498 | - |
| 4 | Credit institutions | 1,188,871 | 494,323 | - | 1,508 | - | 1,508 | (1,515) | (7) | - | (1,508) | - | (1,508) | - | - | - |
| 5 | Other financial corporations | 421,886 | 55,581 | 171,852 | 1 | - | 1 | (1,118) | (32) | (1,076) | (1) | - | (1) | - | 103,616 | - |
| 6 | Non-financial corporations | 12,059,707 | 6,378,654 | 5,066,625 | 442,228 | 307 | 441,927 | (423,065) | (41,932) | (86,729) | (290,051) | (209) | (289,859) | - | 3,257,976 | 86,784 |
| 7 | Of which SMEs | 7,883,141 | 3,688,855 | 3,561,588 | 307,019 | 307 | 306,716 | (291,581) | (22,816) | (62,518) | (197,644) | (173) | (197,453) | - | 2,328,521 | 77,649 |
| 8 | Households | 14,579,666 | 9,895,723 | 4,400,194 | 839,452 | - | 799,380 | (840,769) | (52,359) | (213,131) | (574,828) | - | (554,779) | - | 5,890,013 | 144,900 |
| 9 | Debt securities | **8,728,943** | **8,615,154** | **74,638** | **-** | **-** | **-** | **(7,576)** | **(5,649)** | **(1,927)** | **-** | **-** | **-** | **-** | **-** | **-** |
| 10 | Central banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11 | General governments | 8,682,056 | 8,571,940 | 74,638 | - | - | - | (7,575) | (5,648) | (1,927) | - | - | - | - | - | - |
| 12 | Credit institutions | 46,887 | 43,214 | - | - | - | - | (1) | (1) | - | - | - | - | - | - | - |
| 13 | Other financial corporations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14 | Non-financial corporations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 15 | Off-balance-sheet exposures | 12,892,184 | **9,214,856** | **3,341,788** | **140,176** | **-** | **139,553** | **101,886** | **19,130** | **24,196** | **58,253** | **-** | **58,261** | | **1,070,631** | **11,230** |
| 16 | Central banks | - | - | - | - | - | - | - | - | - | - | - | - | | **-** | - |
| 17 | General governments | 102,342 | 70,522 | 31,820 | - | - | - | 434 | 416 | 18 | - | - | - | | **301** | - |
| 18 | Credit institutions | 1,767,022 | 1,404,436 | 352,843 | - | - | - | 6 | 6 | - | - | - | - | | **-** | - |
| 19 | Other financial corporations | 212,771 | 206,541 | 6,230 | - | - | - | 146 | 15 | 131 | - | - | - | | **33,655** | - |
| 20 | Non-financial corporations | 7,850,021 | 5,725,045 | 1,810,297 | 128,009 | - | 127,452 | 88,208 | 17,567 | 20,273 | 50,061 | - | 50,069 | | **1,036,299** | 11,230 |
| 21 | Households | 2,960,028 | 1,808,312 | 1,140,598 | 12,167 | - | 12,101 | 13,092 | 1,126 | 3,774 | 8,192 | - | 8,192 | | **376** | - |
| **22** | **Total** | **50,602,441** | **35,346,415** | **13,094,160** | **1,423,365** | **307** | **1,382,369** | **(1,176,135)** | **(84,548)** | **(278,946)** | **(808,135)** | **(209)** | **(787,886)** | **-** | **10,375,734** | **242,914** |

| | Bank RON TSD | Gross carrying amount/nominal amount | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | Accumulated partial write-off Non-performing exposures On performing exposures | Collateral and financial guarantees received | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Performing exposures | | | Non-performing exposures | | | Performing exposures – accumulated impairment and provisions | | | On performing exposures | | | | Performing exposures – accumulated impairment and provisions | Performing exposures |
| | | | Of which stage 1 | Of which stage 2 | | Of which stage 1 | Of which stage 2 | | Of which stage 1 | Of which stage 2 | | Of which stage 1 | Of which stage 2 | | | |
| 1 | Loans and advances | 28,438,316 | **17,966,024** | **9,217,910** | **1,232,526** | **307** | **1,192,153** | **(1,229,497)** | **(97,654)** | **(293,189)** | **(838,366)** | **(209)** | **(818,125)** | **-** | **9,270,611** | **209,207** |
| *2* | Central banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *3* | General governments | *731,184* | *692,124* | *39,063* | - | - | - | (3,978) | (3,699) | (279) | - | - | - | - | 53,498 | - |
| *4* | Credit institutions | *1,188,723* | *494,175* | - | *1,508* | - | 1,508 | (1,515) | (7) | - | (1,508) | - | (1,508) | - | - | - |
| *5* | Other financial corporations | *924,325* | *558,607* | *171,852* | *1* | - | 1 | (1,109) | (32) | (1,076) | (1) | - | (1) | - | 103,616 | - |
| 6 | Non-financial corporations | *11,090,057* | *6,378,654* | *4,607,550* | *394,613* | 307 | 394,312 | (384,841) | (41,932) | (78,719) | (263,902) | (209) | (263,710) | - | 3,257,976 | 65,399 |
| *7* | Of which SMEs | *7,309,127* | *3,688,855* | *3,561,588* | *270,399* | 307 | 270,096 | (267,491) | (22,816) | (62,518) | (182,157) | (173) | (181,965) | - | 2,328,521 | 56,517 |
| *8* | Households | *14,504,027* | *9,842,464* | *4,399,445* | *836,404* | - | 796,332 | (838,054) | (51,984) | (213,115) | (572,955) | - | (552,906) | - | 5,855,521 | 143,808 |
| 9 | Debt securities | **8,426,792** | **8,349,611** | **74,638** | **-** | **-** | **-** | **(7,331)** | **(5,405)** | **(1,927)** | **-** | **-** | **-** | **-** | **-** | **-** |
| *10* | Central banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *11* | General governments | *8,383,578* | *8,306,397* | *74,638* | - | - | - | (7,330) | (5,404) | (1,927) | - | - | - | - | - | - |
| *12* | Credit institutions | *43,214* | *43,214* | - | - | - | - | (1) | (1) | - | - | - | - | - | - | - |
| *13* | Other financial corporations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *14* | Non-financial corporations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 15 | Off-balance-sheet exposures | 12,849,435 | ***9,214,856*** | ***3,339,730*** | ***139,619*** | **-** | ***139,553*** | ***101,695*** | ***19,130*** | ***24,183*** | ***58,253*** | **-** | ***58,261*** | | ***1,070,631*** | ***11,230*** |
| *16* | Central banks | | | | | | | | | | | | | | **-** | - |
| *17* | General governments | *102,342* | *70,522* | *31,820* | - | - | - | *434* | *416* | *18* | - | - | - | | ***301*** | - |
| *18* | Credit institutions | *1,767,022* | *1,404,436* | *352,843* | | | | *6* | *6* | | | | | | **-** | - |
| *19* | Other financial corporations | *212,771* | *206,541* | *6,230* | - | - | - | *146* | *15* | *131* | - | - | - | | ***33,655*** | - |
| *20* | Non-financial corporations | *7,808,516* | *5,725,045* | *1,808,239* | *127,452* | - | *127,452* | *88,017* | *17,567* | *20,260* | *50,061* | - | *50,069* | | ***1,036,299*** | 11,230 |
| *21* | Households | *2,958,784* | *1,808,312* | *1,140,598* | *12,167* | - | *12,101* | *13,092* | *1,126* | *3,774* | *8,192* | - | *8,192* | | ***376*** | - |
| ***22*** | **Total** | ***49,714,543*** | ***35,530,491*** | ***12,632,278*** | ***1,372,145*** | ***307*** | ***1,331,706*** | ***(1,135,133)*** | ***(83,929)*** | ***(270,933)*** | ***(780,113)*** | ***(209)*** | ***(759,864)*** | **-** | ***10,341,242*** | ***220,437*** |

**Collateral obtained by taking possession and execution processes (table NPL 9)**
Table 19.

| Bank / Group RON TSD | | Collateral obtained by taking possession | |
|---|---|---|---|
| | | Value at initial recognition | Accumulated negative changes |
| 1 | Property, plant and equipment (PP&E) | 0 | 0 |
| 2 | Other than PP&E | 23,640 | -7,526 |
| 3 | Residential immovable property | 1,986 | -1,986 |
| 4 | Commercial Immovable property | 21,654 | -5,540 |
| 5 | Movable property (auto, shipping, etc.) | 0 | 0 |
| 6 | Equity and debt instruments | 0 | 0 |
| 7 | Other | 0 | 0 |
| **8** | Total | 23,640 | -7,526 |

The table below shows changes in depreciation adjustments:
Table 20.
***Group***

| ***Article 442 (i) CRR*** **Thousand RON** | **June 30, 2020** |
|---|---|
| **Opening balance** | |
| Increases due to amounts set aside for estimated loan losses during the period | **1,127,546** |
| Decreases due to amounts reversed for estimated loan losses during the period | 236,670 |
| Decreases due to amounts taken against accumulated credit risk adjustments | (112,492) |
| Transfers between credit risk adjustments | (1,052) |
| Impact of exchange rate differences | - |
| Business combinations, including acquisitions and disposals of subsidiaries | 7,105 |
| Other adjustments | 2,282 |
| **Closing balance** | (9,664) |

| | |
|---|---|
| Recoveries on credit risk adjustments recorded directly to the statement of profit or loss | **1,250,395** |
| Specific credit risk adjustments directly recorded to the statement of profit or loss | 12,746 |
| | 1,141 |

***Bank***

| ***Article 442 (i) CRR*** **Thousand RON** | **June 30, 2020** |
|---|---|
| | |
| **Opening balance** | **1,093,279** |
| Increases due to amounts set aside for estimated loan losses during the period | 230,941 |
| Decreases due to amounts reversed for estimated loan losses during the period | (107,714) |
| Decreases due to amounts taken against accumulated credit risk adjustments | (1,052) |
| Transfers between credit risk adjustments | - |
| Impact of exchange rate differences | 7,261 |
| Business combinations, including acquisitions and disposals of subsidiaries | - |
| Other adjustments | (13,268) |
| **Closing balance** | **1,209,447** |
| Recoveries on credit risk adjustments recorded directly to the statement of profit or loss | (20,156) |
| Specific credit risk adjustments directly recorded to the statement of profit or loss | 23,520 |

The following table shows changes in the stock of non-performing loans and debt securities:
Table 21.

***Group***

| ***Article 442 (i) CRR*** **Thousand RON** | **Gross carrying value defaulted exposures June 30, 2020** |
|---|---|
| | |
| **Opening balance** | **1,149,324** |
| Loans and debt securities that have become defaulted or impaired since the last reporting period | 238,913 |
| Returned to non-defaulted status | -51,252 |

| | |
|---|---:|
| Amounts written off | -67,778 |
| Other changes | 113,164 |
| **Closing balance** | **1,382,370** |

### *Bank*

| ***Article 442 (i) CRR*** **Thousand RON** | **Gross carrying value defaulted exposures June 30, 2020** |
|---|---:|
| | |
| **Opening balance** | **1,092,514** |
| Loans and debt securities that have become defaulted or impaired since the last reporting period | 233,245 |
| Returned to non-defaulted status | -50,002 |
| Amounts written off | -67,775 |
| Other changes | 123,884 |
| **Closing balance** | **1,331,707** |

**Publishing and reporting requirements on Exposures subject to measures applied in the context of COVID-19**

Following the outbreak of the COVID-19 pandemic, governments across the globe and in the EU introduced several response measures, which have significant economic consequences. Many businesses affected by the crisis may face liquidity shortages and difficulties in timely payment of their commitments. This has an impact on the credit institutions, as delays in the repayment of the credit obligations may lead to an increase in the non-performing loans on credit institutions' balance sheets.

As a response to the negative impact that the COVID-19 pandemic may have on the banking sector, in Romania the government introduced a legislative moratoria, but also other forms of similar initiatives were offered by the banking sector.

The legislative moratoria, introduced by Government Emergency Ordinance no. 37/2020 offers the bank customers the following conditions:

- the delay in payment of bank installments up to 9 months, but no later than December 31, 2020;
- interest is capitalized for personal consumer loans, while the one related to mortgage is repaid during 60 monthly installments);
- customers could apply for the legislative moratoria until May 15 and later extended to June 15;
- this form of moratoria does not automatically lead to default, in accordance with the EBA Guidelines on legislative and non-legislative moratoria on loan repayments in relation to COVID-19.

In addition to the legislative measures, the Bank has implemented internal programmes for payment deferral, for supporting the customers facing liquidity shortages. As of June 30, 2020, the Bank has approved to 33,024 customers a form of payment deferral, out of which 32,784 customers are retail and 240 are non-retail.

An additional measure in the national aid package was the approval of a EUR 3 billion package of state guarantees and interest subsidies to support the financing of the SME sector under the IMM INVEST loan facility programme. More specifically, the eligible customers receive grants in the form of interest and fees related to financial year 2020, for the loans originated within this programme. As of June 30, 2020, the bank has approved 1,102 applications for financing its customers, amounting to RON 499 million.

Given the COVID-19 situation, the macro-economic forecast was adjusted twice in the first semester of 2020, in order to reflect the new economic dynamics; overall, a worsening is shown in the following years, as compared to December 2019 macro-economic forecast.

In order to maintain an adequate provisioning coverage and taking into consideration the one-off unpredictable event (COVID-19), difficult to be modelled given the lack of similar previous events, the Group has followed a conservatory approach with an immediate reaction which consisted of:

1. adding holistic treatment based on industry risk and potential risk of public and private moratorium;
2. adjusting in a conservative manner the rating allocation system for public and private moratorium exposures of retail clients.

**Overview of EBA-compliant moratoria (legislative and non-legislative) based on residual maturity of moratoria - Group**

Table 22.

| Group RON TSD | Gross carrying amount | | | | | |
|---|---|---|---|---|---|---|
| | | Of which: legislative moratoria | Of which: subject to extended moratoria | Of which: expired | Residual maturity of moratoria | |
| | | | | | <= 3 months | > 3 months <= 6 months |
| **EBA-compliant moratoria loans and advances** | 2,544,203 | 2,261,046 | 283,157 | 456,561 | 497,145 | 1,590,497 |
| of which: Households | 1,722,694 | 1,470,264 | 252,429 | 440,736 | 428,559 | 853,398 |
| of which: Collateralised by residential immovable property | 765,441 | 666,105 | 99,336 | 178,942 | 168,358 | 418,141 |
| of which: Non-financial corporations | 821,509 | 790,782 | 30,728 | 15,825 | 68,586 | 737,098 |
| of which: Small and medium-sized enterprises | 551,630 | 520,902 | 30,728 | 4,805 | 61,479 | 485,346 |
| of which: Collateralised by commercial immovable property | 220,426 | 219,301 | 1,125 | 954 | 3,027 | 216,444 |

## Overview of EBA-compliant moratoria (legislative and non-legislative) – Group level

Table 23.

| Group RON TSD | Gross carrying amount | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Performing | | | | Non-performing | | | |
| | | | Of which: exposures with grace period for principal and interest | Of which: exposures with forbearance measures | Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)) | | Of which: exposures with grace period for principal and interest | Of which: exposures with forbearance measures | Of which: unlikely to pay that are not past-due or past-due <= 90 days |
| **EBA-compliant moratoria loans and advances** | 2,383,773 | 2,265,251 | 2,265,251 | 0 | 2,089,004 | 118,522 | 118,522 | 0 | 118,522 |
| of which: Households | 1,471,020 | 1,383,985 | 1,383,985 | 0 | 1,299,349 | 87,035 | 87,035 | 0 | 87,035 |
| of which: Collateralised by residential immovable property | 666,248 | 618,976 | 618,976 | 0 | 555,380 | 47,271 | 47,271 | 0 | 47,271 |
| of which: Non-financial corporations | 912,753 | 881,266 | 881,266 | 0 | 789,655 | 31,487 | 31,487 | 0 | 31,487 |
| of which: Small and medium-sized enterprises | 38,716 | 34,423 | 34,423 | 0 | 33,938 | 4,292 | 4,292 | 0 | 4,292 |
| of which: Collateralised by commercial immovable property | 282,713 | 276,979 | 276,979 | 0 | 275,195 | 5,734 | 5,734 | 0 | 5,734 |

| Group RON TSD | Accumulated impairment, accumulated negative changes in fair value due to credit risk | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Performing | | | | Non-performing | | | |
| | | | Of which: exposures with grace period for principal and interest | Of which: exposures with forbearance measures | Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)) | | Of which: exposures with grace period for principal and interest | Of which: exposures with forbearance measures | Of which: unlikely to pay that are not past-due or past-due <= 90 days |
| **EBA-compliant moratoria loans and advances** | -170,605 | -98,559 | -98,559 | 0 | -96,925 | -72,046 | -72,046 | 0 | -72,046 |
| of which: Households | -133,922 | -81,670 | -81,670 | 0 | -80,872 | -52,252 | -52,252 | 0 | -52,252 |
| of which: Collateralised by residential immovable property | -48,981 | -24,306 | -24,306 | 0 | -24,306 | -24,676 | -24,676 | 0 | -24,676 |
| of which: Non-financial corporations | -36,683 | -16,889 | -16,889 | 0 | -16,053 | -19,794 | -19,794 | 0 | -19,794 |
| of which: Small and medium-sized enterprises | -4,659 | -1,014 | -1,014 | 0 | -1,014 | -3,645 | -3,645 | 0 | -3,645 |
| of which: Collateralised by commercial immovable property | -4,374 | -2,885 | -2,885 | 0 | -2,843 | -1,489 | -1,489 | 0 | -1,489 |

***Overview of newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis***

Table 24.

| | Gross carrying amount | | | | | |
|---|---|---|---|---|---|---|
| | | Of which: with called public guarantee | Of which: Residual maturity of public guarantee | | | |
| | | | <= 6 months | > 6 months <= 12 months | > 1 year <= 2 year | > 2 year <= 5 year |
| Newly originated loans and advances subject to public guarantee schemes | 9,928 | 9,928 | - | - | - | 9,928 |
| of which: Households | - | - | - | - | - | - |
| of which: Non-financial corporations | 9,928 | 9,928 | - | - | - | 9,928 |

## 9. 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 25.

| ***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 | 141,076 | | 46,794,355 | |
| Equity instruments | 0 | 0 | 68,679 | 68,679 |
| Debt securities | 111,603 | 111,781 | 8,818,181 | 8,865,813 |
| Other assets | 29,473 | | 37,907,495 | |

| ***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 | 2,439 | 27,731 |

| ***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 | 141,076 | | 46,794,355 | |
| Equity instruments | 0 | 0 | 68,679 | 68,679 |
| Debt securities | 111,603 | 111,781 | 8,818,181 | 8,865,813 |
| Other assets | 29,473 | | 37,907,495 | |

| ***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 | **2,439** | **27,731** |

## 10. Article 444 CRR Use of ECAIs (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 26.

| Eligible ECAIs | 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 | | | |

| | ECAI Rating | | |
|---|---|---|---|
| Rating notch | 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 30 June 2020, 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 27.

| Bank - In RON thousand | Exposure value* | Exposure after Credit Risk Mitigations are applied | Capital requirements |
|---|---|---|---|
| Standardised approach (SA) | **8,859,117** | **10,127,373** | **93,219** |
| Central governments or central banks | 6,139,225 | 7,082,718 | - |
| Regional governments or local authorities | 968,398 | 968,398 | 14,141 |
| Public sector entities | 45,318 | 45,318 | 3,625 |
| Multilateral Development Banks | 43,213 | 367,976 | - |
| International Organisations | - | - | - |
| Institutions | 672,488 | 672,488 | - |
| Corporates, of which having an ECAI evaluation: | 33,396 | 33,396 | 1,754 |
| Credit quality level 5 | - | - | - |
| Retail | 103,699 | 103,699 | 4,851 |
| Secured by mortgages on immovable property | 17,231 | 17,231 | 453 |
| Exposures in default | 1,631 | 1,631 | 131 |
| 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 | 834,518 | 834,518 | 66,761 |

** 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 | Exposurevalue* | Exposure after Credit Risk Mitigations are applied | Capital requirements |
|---|---|---|---|
| Standardised approach (SA) | **9,718,153** | **10,986,409** | **160,867** |
| Central governments or central banks | 6,429,781 | - | - |
| Regional governments or local authorities | 987,641 | 180,614 | 14,449 |
| Public sector entities | 45,318 | 45,318 | 3,625 |
| Multilateral Development Banks | 43,213 | - | - |

| Group - In RON thousand | Exposurevalue* | Exposure after Credit Risk Mitigations are applied | Capital requirements |
|---|---|---|---|
| International Organisations | - | - | - |
| Institutions | 86,964 | 17,396 | 1,392 |
| Corporates, of which having an ECAI evaluation: | 644,878 | 528,792 | 42,303 |
| Credit quality level 5 | - | - | - |
| Retail | 532,739 | 306,346 | 24,508 |
| Secured by mortgages on immovable property | 69,308 | 38,037 | 3,043 |
| Exposures in default | 36,299 | 52,774 | 4,222 |
| Items associated with particular high risk | - | - | - |
| Covered bonds | - | - | - |
| Claims on institutions and corporates with a short-term credit assessment | - | - | - |
| Collective investments undertakings (CIU) | 8,172 | 8,172 | 654 |
| Equity | 1 | 1 | 0 |
| Other items | 833,841 | 833,393 | 66,671 |

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

As of 30 June 2020, 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 28.

| 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 | **8,604,352** | **254,766** | **9,808,506** | **43,983** | **1,165,231** | **12%** |
| Central governments or central banks | 6,139,225 | - | 7,082,718 | - | - | 0% |
| Regional government or local authorities | 907,214 | 61,184 | 853,716 | 30,109 | 176,765 | 20% |
| Public sector entities | 45,318 | - | 45,318 | - | 45,318 | 100% |
| Multilateral development banks | 43,213 | - | 357,812 | 7,623 | - | 0% |
| International organisations | - | - | - | - | 18,778 | 0% |
| Institutions | 503,008 | 169,481 | 503,008 | - | 21,920 | 100% |
| Corporates | 20,455 | 12,941 | 20,455 | 1,465 | - | 0% |
| Retail | 93,078 | 10,621 | 92,638 | 4,626 | 60,635 | 62% |
| Secured by mortgages on immovable property | 16,692 | 539 | 16,692 | 160 | 5,660 | 34% |
| Exposures in default | 1,631 | - | 1,631 | - | 1,637 | 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 | 834,518 | - | 834,518 | - | 834,518 | 100% |

**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 | **9,585,754** | **132,400** | **10,789,908** | **69,541** | **2,010,843** | **19%** |
| Central governments or central banks | 6,425,781 | 4,000 | 7,369,273 | 4,000 | - | 0% |
| Regional government or local authorities | 926,456 | 61,184 | 872,958 | 30,109 | 180,614 | 20% |
| Public sector entities | 45,318 | - | 45,318 | - | 45,318 | 100% |
| Multilateral development banks | 43,213 | - | 357,812 | 7,623 | - | 0% |
| International organisations | - | - | - | - | 17,396 | 0% |
| Institutions | 86,964 | - | 86,964 | - | 528,792 | 86% |
| Corporates | 599,437 | 45,441 | 599,437 | 17,715 | - | 0% |
| Retail | - | - | - | - | - | 0% |
| Secured by mortgages on immovable property | 512,061 | 20,678 | 509,800 | 9,655 | 306,346 | 59% |
| Exposures in default | 68,770 | 539 | 68,770 | 160 | 38,037 | 55% |
| Exposures associated with particularly high risk | 35,741 | 558 | 35,702 | 279 | 52,774 | 147% |
| Covered bonds | - | - | - | - | - | 0% |
| Institutions and corporates with a short-term credit assessment | - | - | - | - | - | 0% |
| Collective investment undertakings | - | - | - | - | - | 0% |
| Equity | 8,172 | - | 8,172 | - | 8,172 | 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 29.

| Bank - In RON thousand | Risk weight | | | | | | Total | Out of which, unrated |
|---|---|---|---|---|---|---|---|---|
| | 0% | 20% | 35% | 75% | 100% | 150% | | |
| Exposure classes in STD | **7,951,160** | **883,825** | **14,144** | **99,268** | **904,081** | **11** | **9,852,489** | **9,852,489** |
| Central governments or central banks | 7,082,718 | - | - | - | - | - | 7,082,718 | 7,082,718 |
| Regional government or local authorities | - | 883,825 | - | - | 0 | - | 883,825 | 883,825 |
| Public sector entities | - | 0 | - | - | 45,318 | - | 45,318 | 45,318 |
| Multilateral development banks | 365,435 | - | - | - | - | - | 365,435 | 365,435 |
| International organisations | - | - | - | - | - | - | - | - |
| Institutions | 503,008 | - | - | - | - | - | 503,008 | 503,008 |
| Corporates | - | - | - | - | 21,920 | - | 21,920 | 21,920 |
| Retail | - | - | - | 97,264 | - | - | 97,264 | 97,264 |
| Secured by mortgages on immovable property | - | - | 14,144 | 2,004 | 705 | - | 16,852 | 16,852 |
| Exposures in default | - | - | - | - | 1,620 | 11 | 1,631 | 1,631 |
| Exposures associated with particularly high risk | - | - | - | - | - | - | - | - |
| Covered bonds | - | - | - | - | - | - | - | - |
| Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - |
| Collective investment undertakings | - | - | - | - | - | - | - | - |
| Equity | - | - | - | - | - | - | - | - |
| Other items | - | - | - | - | 834,518 | - | 834,518 | 834,518 |

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

| Group - In RON thousand | Risk weight * | | | | | | Total | Out of which, unrated |
|---|---|---|---|---|---|---|---|---|
| | 0% | 20% | 35% | 75% | 100% | 150% | | |
| Exposure classes in STD | **7,741,016** | **990,021** | **43,109** | **521,458** | **1,530,246** | **33,587** | **10,859,449** | **10,859,449** |
| Central governments or central banks | 7,373,273 | - | - | - | - | - | 7,373,273 | 7,373,273 |
| Regional government or local authorities | - | 903,067 | - | - | 0 | - | 903,067 | 903,067 |
| Public sector entities | - | 0 | - | - | 45,318 | - | 45,318 | 45,318 |
| Multilateral development banks | 365,435 | - | - | - | - | - | 365,435 | 365,435 |
| International organisations | - | - | - | - | - | - | - | - |
| Institutions | - | 86,954 | - | - | 0 | - | 86,964 | 86,964 |
| Corporates | - | - | - | - | 617,152 | - | 617,152 | 617,152 |
| Retail | - | - | - | 519,455 | - | - | 519,455 | 519,455 |
| Secured by mortgages on immovable property | - | - | 43,109 | 2,004 | 23,817 | - | 68,930 | 68,930 |
| Exposures in default | - | - | - | - | 2,394 | 33,587 | 35,980 | 35,980 |
| Exposures associated with particularly high risk | - | - | - | - | - | - | - | - |
| Covered bonds | - | - | - | - | - | - | - | - |
| Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - |
| Collective investment undertakings | - | - | - | - | 8,172 | - | 8,172 | 8,172 |
| Equity | - | - | - | - | 1 | - | 1 | 1 |
| Other items | 2,308 | - | - | - | 833,393 | - | 835,701 | 835,701 |

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

## 11. 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 June 30, 2020, respectively December 31, 2019 is the following:

Table 30

| Ths. RON | 30-Iun-20 | 31-Dec-19 |
|---|---|---|
| Equity requirements for general position risk related to traded debt instruments | 4,822 | 12,339 |
| Equity requirements for specific position risk related to traded debt instruments | 963 | 320 |
| Equity requirements for currency risk | 11,872 | 11,594 |
| **Total own funds requirements for market risk** | **17,657** | **24,254** |

## 12. Article 446 CRR Operational Risk

Within Raiffeisen Bank, the level of the capital 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 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.

## 13. 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 time bands (for interest rate risk)

- Stop Loss limits for interest rate risk and currency risk and warning levels 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 Group Risk Controlling and Portfolio Management Department, in accordance with the Bank's Organizational and Functioning Regulation. The scope of the market risk management process refers to all market risks to which the bank has 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 these risks 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 in activities outside the trading book are the imperfect correlations between the maturity date (for assets and liabilities with fix interest rate) or the interest rate fixing date (for assets and liabilities with 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 the adjustment of interest receivables and payables for different financial instruments with similar but not identical interest rate fixing characteristics.

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

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 in accordance with the Strategy of 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 fixing of the interest rate. Items without contractual maturity and without contractual interest-fixing rules, such as current accounts and savings accounts, are modeled and distributed on maturity bands.

The interest rate gap 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) at June 30, 2020 and December 31, 2019 as a result of shocks of 200bp for the entire yield curve broken down by currency (assuming that there are no asymmetric movements in the interest curve and a constant balance position):

Table 31.

| | 30 June 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| **In RON Thousand** | **200 bp** | **200 bp** | **In RON Thousand** | **200 bp** |
| | **Increase** | **Decrease** | | **Increase** |
| RON | 229.820 | 269.926 | RON | 229.820 |
| EUR | 150.100 | 159.962 | EUR | 150.100 |
| USD | 25.870 | 28.247 | USD | 25.870 |
| CHF | 4.119 | 4.694 | CHF | 4.119 |
| **Total** | **409.908** | **462.828** | **Total** | **409.908** |

## 14. Article449 CRR Exposure to securitization positions

Banks securtization 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 throught **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 instituation 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 30 June 2020, the volume of loans portfolio included in securitization at 10,090 mii Ron, covered entirely by EIF guaranty (2019: 10,790 mii Ron), as follows:

Table 32.

| 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** | |
| 10,090 | (10,090) | 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.

## 15. 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 30 June 2020 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 | 46,081,159 | 46,932,932 |
| Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | 45,466 | 45,466 |
| Adjustments for derivative financial instruments | 4,390,338 | 4,666,796 |
| Adjustment for securities financing transactions (SFTs) | (256,016) | (259,677) |
| **Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposure)** | **50,260,946** | **51,385,517** |

| **Leverage ratio common disclosure** | **Bank** | **Group** |
|---|---|---|
| On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 45,245,055 | 46,326,173 |
| (Asset amounts deducted in determining Tier 1 capital) | (256,016) | (259,677) |
| **Total on-balance sheet exposure (excluding derivatives, SFTs and fiduciary assets)** | **44,989,039** | **46,066,495** |
| Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 28,256 | 28,256 |
| Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method) | 45,466 | 45,466 |
| **Total derivatives exposure** | **73,722** | **73,722** |
| Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | 949,229 | 949,229 |
| **Total securities financing transaction exposure** | **949,229** | **949,229** |

| | | |
|---|---|---|
| Off-balance sheet exposure at gross notional amount | 12,978,832 | 1,154,678 |
| (Adjustments for conversion to credit equivalent amounts) | (8,729,876) | 3,141,393 |
| **Other off-balance sheet exposure** | **4,248,956** | **4,296,070** |
| **Tier 1 capital** | **4,548,650** | **4,682,190** |
| **Total leverage ratio exposure** | **50,260,946** | **51,385,517** |
| **Leverage ratio (transitional)** | **9.05%** | **9.11%** |

| **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: | 44.742.047 | 46,326,173 |
| Trading book exposure | 208.417 | 208,417 |
| Banking book exposure, of which: | 44.533.631 | 46,117,756 |
| Covered bonds | - | - |
| Exposure treated as sovereigns | 11.270.251 | 11,581,022 |
| Exposure to regional governments, MDB, international organizations and PSE not treated as sovereigns | 1.069.486 | 1,088,522 |
| Institutions | 2.100.277 | 2,194,795 |
| Secured by mortgages on immovable properties | 7.352.888 | 7,406,179 |
| Retail exposure | 8.141.548 | 8,563,185 |
| Corporate | 10.019.602 | 10,493,464 |
| Exposure in default | 419.030 | 463,234 |
| Other exposure (e.g. equity, securitizations, and other non-credit obligation assets) | 4.160.548 | 4,327,355 |

# 16. 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 Standardazed 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
Retail exposures related 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 counterparts 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. Also, based on supervisory approval, the exposure to subsidiary was included.

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

Retail exposures, represented by the portfolios of Proffesionals clients (from the Micro portfolio), have the approval to temporarily use the standard approach.

## 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)

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.

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, current trends and forecasts of the financial performance, existence of shareholder's support and possible warning signals. The Corporates rating model differentiates risk depending on the industry sector and the country of risk 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.
Country of Risk Assessment (CORA) Score
In addition to the quantitative and qualitative parameters, the ratings results of the Large Corporate Rating Model will also be impacted by the external environment, especially the political risk, in which the company operates. This evaluation will be based on the respective Country of Risk of the borrower, with the differentiation linked to the World Bank Rule of Law Index.
Rule of law captures perceptions of the extent to which involved parties have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
The large corporate client's rating ultimately emerges from the combination of the quantitative, qualitative assessments, CORA Score, trends and forecasts, ownership

support and possible warning signals. The Large Corporates rating model differentiates risk depending on the industry sector 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) <u>Viability Rating</u> (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) <u>Final Rating</u> (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) <u>Country Ceiling</u>
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 Campanies

**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 madel 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"):

<u>Hard facts grade:</u>

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.

<u>Qualitative analysis ("soft facts grade"):</u>

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 (i.e 2010-2013 during the approval process for using an internal based model approach in regulatory capital calculation).

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 responsabilities 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.[1]

**D2 – Direct write-off:**

Claims[2] 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.

[1] EBA/GL/2016/07 section 3, chapter 5. Indications of unlikeliness to pay; article 56, 57 Bankruptcy

[2] A claim is defined as the outstanding amount (exposure).

**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").[3]

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:

$D_{0}$ 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

[3] SUP 2015-0173 Functional Instruction Forbearance and Non-performing Exposure (Non-Retail); chapter 3

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.[4]

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.[5]

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 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

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

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

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.[6] 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[7]). 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.

**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%:**[8]

**L = (E-P) / E,**
where:

[6] EBA/GL/2016/07 section 3, chapter 5 Indications of unlikeliness to pay; article 35 Non-accrued interest

[7] For instance, an agreed company restructuring leading to tangible results

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

**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;
  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 unlikeliness 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.**.[9]

**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 unlikeliness 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:

<u>on the basis of internal information</u>

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

<u>on the basis of external information</u>

- significant delays in payments to other creditors have been recorded in the relevant credit register;

[9] EBA/GL/2016/07 section 3, chapter 4 Past due creation in the identification of default; article 16-22 Counting of days past due

- 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 unlikeliness 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 unlikeliness 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 [10.]
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 unlikeliness 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 unlikeliness to pay in accordance with Article 178 of the CRR.[11]
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 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.

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[10] EBA/GL/2016/07 section 3, chapter 5 Indications of unlikeliness to pay; article 62 Other indications of unlikeliness to pay

[11] EBA/GL/2016/07 section 3, chapter 5 Indications of unlikeliness to pay; article 63 Other indications of unlikeliness to pay

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 şi completarea Regulamentului Băncii Naţionale a României nr. 5/2013 privind cerinţe prudenţiale pentru instituţiile de credit, cu modificările şi 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, based on 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, accoding 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 applicable, as the default definition used by Raiffeisen Bank S.A. is regulated by art. 178 of Regulation 575/2013, with the provisions of the EBA Guide for the default definition implementation and also the provisions of NBR regulation no.5/2018.

### *C. Credit exposure breakdown*

In the following tables, as of 30 June 2020 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 | **48,391,694** | **47,122,640** | **47%** | **1,428,730** | **1,449,424** |
| F-IRB Approach | ***28,481,116*** | ***28,619,394*** | ***49%*** | ***817,734*** | ***408,912*** |
| Exposure to central governments and central banks | 5,089,070 | 5,665,367 | 16% | 73,151 | 1,258 |
| Exposure to institutions | 4,809,777 | 4,853,297 | 21% | 53,601 | 140 |
| Exposure to corporates -IMM | 6,466,756 | 6,103,956 | 68% | 218,551 | 201,997 |
| Exposure to corporates - specialised lending | 2,364,872 | 2,364,872 | 66% | 118,310 | 71,934 |
| Exposure to corporates - Others | 9,750,641 | 9,631,902 | 79% | 354,120 | 133,583 |
| A-IRB Approach | ***19,731,290*** | ***18,334,049*** | ***44%*** | ***594,521*** | ***1,040,513*** |
| Retail Exposure - SME secured by immovable property | 0 | 0 | 0% | 0 | 0 |
| Retail Exposure - secured by immovable property | 7,648,156 | 6,250,915 | 38% | 187,584 | 374,076 |
| Retail Exposure- qualifying revolving | 4,377,228 | 4,377,228 | 19% | 47,349 | 62,294 |
| Retail Exposure -SME | 1,408,008 | 1,408,008 | 40% | 45,048 | 132,724 |
| Retail Exposure - other | 6,297,899 | 6,297,899 | 62% | 314,540 | 471,419 |
| Equity | ***169,197*** | ***169,197*** | **-** | ***16,475*** | ***0*** |
| Securitization | ***10,091*** | ***0*** | **0%** | ***0*** | ***0*** |
| here of: resecuritization | 0 | 0 | **-** | 0 | 0 |
| Others | ***98,300*** | ***98,300*** | **-** | ***7,864*** | 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 | **48,274,574** | **47,005,520** | **47%** | **1,417,212** | **1,449,424** |
| F-IRB Approach | ***28,469,116*** | ***28,607,394*** | ***49%*** | ***817,395*** | ***408,912*** |
| Exposure to central governments and central banks | 5,089,070 | 5,665,367 | 16% | 73,151 | 1,258 |
| Exposure to institutions | 4,797,777 | 4,841,297 | 21% | 53,262 | 140 |
| Exposure to corporates -IMM | 6,466,756 | 6,103,956 | 68% | 218,551 | 201,997 |
| Exposure to corporates - specialised lending | 2,364,872 | 2,364,872 | 66% | 118,310 | 71,934 |
| Exposure to corporates - Others | 9,750,641 | 9,631,902 | 79% | 354,120 | 133,583 |
| A-IRB Approach | ***19,731,290*** | ***18,334,049*** | ***44%*** | ***594,521*** | ***1,040,513*** |
| Retail Exposure - SME secured by immovable property | 0 | 0 | 0% | 0 | 0 |
| Retail Exposure - secured by immovable property | 7,648,156 | 6,250,915 | 38% | 187,584 | 374,076 |
| Retail Exposure- qualifying revolving | 4,377,228 | 4,377,228 | 19% | 47,349 | 62,294 |
| Retail Exposure -SME | 1,408,008 | 1,408,008 | 40% | 45,048 | 132,724 |
| Retail Exposure - other | 6,297,899 | 6,297,899 | 62% | 314,540 | 471,419 |
| Equity | ***64,076*** | ***64,076*** | **-** | ***5,296*** | ***0*** |
| Securitization | ***10,091*** | ***0*** | ***0%*** | ***0*** | ***0*** |
| here of: resecuritization | 0 | 0 | **-** | 0 | 0 |
| Others | ***98,300*** | ***98,300*** | **-** | ***7,864*** | ***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 | **19,025,950** | **9,455,166** | | **20,753,768** | **6,480** | | | **10,221,671** | **49%** | **276,183** | **408,912** |
| 0,00 to <0,15 | 8,807,322 | 2,664,959 | 10% | 9,713,110 | 374 | 0.0% | 44% | 1,727,725 | 18% | 1,759 | 1,609 |
| 0,15 to <0,25 | 576,930 | 862,603 | 14% | 667,407 | 258 | 0.2% | 45% | 293,538 | 44% | 589 | 547 |
| 0,25 to <0,50 | 781,505 | 909,838 | 17% | 922,249 | 343 | 0.4% | 44% | 529,830 | 57% | 1,505 | 2,558 |
| 0,50 to <0,75 | 613,746 | 402,609 | 7% | 623,806 | 254 | 0.6% | 44% | 403,980 | 65% | 1,508 | 3,282 |
| 0,75 to <2,50 | 3,742,247 | 2,949,084 | 19% | 4,093,767 | 1,394 | 1.3% | 41% | 3,457,020 | 84% | 21,587 | 47,532 |
| 2,50 to <10,00 | 1,950,459 | 1,183,844 | 16% | 1,929,210 | 808 | 2.3% | 30% | 2,017,179 | 105% | 27,817 | 59,477 |
| 10,00 to <100,00 | 131,876 | 38,268 | 69% | 153,229 | 2,383 | 18.8% | 39% | 313,522 | 205% | 11,480 | 15,443 |
| 100,00 (Default) | 374,226 | 126,726 | 18% | 394,675 | 666 | 0.0% | 0% | - | 0% | 163,683 | 206,529 |
| Project finance | 2,047,638 | 317,234 | 66% | 2,256,317 | - | 0.0% | 0% | 1,478,876 | 0% | 46,255 | 71,934 |
| A-IRB Approach | **16,473,195** | **3,258,095** | | **17,032,876** | **1,250,909** | **0%** | | **7,431,517** | **44%** | **815,564** | **1,040,513** |
| 0,00 to <0,15 | 110,720 | 733,938 | 56% | 520,657 | 73,866 | 0.12% | | 18,339 | 4% | 296 | 173 |
| 0,15 to <0,25 | 65,368 | 116,480 | 88% | 167,395 | 1,792 | 0.16% | | 23,703 | 14% | 135 | 177 |
| 0,25 to <0,50 | 7,607,533 | 1,266,068 | 58% | 7,074,481 | 297,681 | 0.32% | | 1,577,402 | 22% | 9,476 | 61,322 |
| 0,50 to <0,75 | 2,660,075 | 662,591 | 60% | 3,057,996 | 267,739 | 0.63% | | 1,262,597 | 41% | 10,932 | 22,075 |
| 0,75 to <2,50 | 3,015,358 | 337,877 | 66% | 3,160,188 | 236,188 | 1.34% | | 1,769,847 | 56% | 22,619 | 53,263 |
| 2,50 to <10,00 | 1,325,280 | 85,835 | 64% | 1,347,164 | 82,780 | 4.64% | | 1,158,384 | 86% | 33,215 | 63,035 |
| 10,00 to <100,00 | 637,163 | 42,394 | 58% | 654,269 | 244,041 | 22.36% | | 907,318 | 139% | 74,465 | 84,436 |
| 100,00 (Default) | 1,051,698 | 12,912 | 47% | 1,050,727 | 46,822 | 100.00% | | 713,928 | 68% | 664,425 | 756,030 |

**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 | **5,066,912** | **22,158** | | **5,647,641** | **3** | | | **914,392** | **16%** | **839** | **1,258** |
| 0,00 to <0,15 | 5,066,912 | 22,158 | 20% | 5,647,641 | 3 | 0.0% | 41% | 914,392 | 16% | 839 | 1,258 |
| 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 | **3,009,317** | **1,800,460** | | **3,186,327** | **133** | | | **670,011** | **21%** | **750** | **140** |
| 0,00 to <0,15 | 2,977,250 | 1,530,180 | 7% | 3,126,063 | 82 | 0.1% | 42.3% | 626,041 | 20% | 667 | 137 |
| 0,15 to <0,25 | 2,731 | 246,759 | 11% | 30,724 | 19 | 0.2% | 0.0% | 17,798 | 58% | 24 | 3 |
| 0,25 to <0,50 | 28,996 | 23,126 | 1% | 29,122 | 4 | 0.4% | 0.0% | 25,687 | 88% | 53 | 0 |
| 0,50 to <0,75 | 339 | - | 0% | 339 | 2 | 1.0% | 0.0% | 332 | 98% | 2 | - |
| 0,75 to <2,50 | - | - | 0% | - | 4 | 0.0% | 0.0% | - | 0% | - | - |
| 2,50 to <10,00 | 0 | 395 | 20% | 79 | 22 | 0.0% | 0.0% | 153 | 193% | 3 | 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 | **4,923,588** | **4,827,053** | | **5,633,712** | **2,488** | | | **4,426,502** | **79%** | **103,541** | **133,583** |
| 0,00 to <0,15 | 648,464 | 769,286 | 18% | 800,182 | 35 | 0.1% | 67.8% | 160,437 | 20% | 200 | 123 |
| 0,15 to <0,25 | 150,034 | 446,238 | 23% | 251,517 | 29 | 0.2% | 45.0% | 102,295 | 41% | 178 | 126 |
| 0,25 to <0,50 | 543,656 | 535,517 | 16% | 603,803 | 33 | 0.3% | 44.9% | 319,364 | 53% | 696 | 329 |
| 0,50 to <0,75 | 265,547 | 424,458 | 20% | 348,715 | 24 | 0.4% | 44.3% | 237,561 | 68% | 647 | 1,082 |
| 0,75 to <2,50 | 2,102,795 | 1,819,348 | 16% | 2,382,415 | 242 | 0.8% | 26.6% | 2,137,879 | 90% | 9,334 | 21,401 |
| 2,50 to <10,00 | 938,032 | 713,132 | 12% | 929,594 | 178 | 0.7% | 13.3% | 1,195,021 | 129% | 11,219 | 33,326 |
| 10,00 to <100,00 | 99,633 | 37,092 | 72% | 125,720 | 1,461 | 3.6% | 3.1% | 273,945 | 218% | 8,204 | 12,528 |
| 100,00 (Default) | 175,427 | 81,982 | 20% | 191,767 | 486 | 2.1% | 1.6% | - | 0% | 73,063 | 64,667 |
| 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 | **2,047,638** | **317,234** | | **2,256,317** | **48** | | | **1,478,876** | **66%** | **46,255** | **71,934** |
| 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 | 2,047,638 | 317,234 | 66% | 2,256,317 | 48 | 0% | 0% | 1,478,876 | 0% | 46,255 | 71,934 |
| 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 | **3,978,495** | **2,488,261** | | **4,029,772** | **3,858** | | | **2,731,890** | **68%** | **124,799** | **201,997** |
| 0,00 to <0,15 | 105,166 | 154,661 | 4% | 105,684 | 240 | 0.1% | 51.6% | 15,138 | 14% | 34 | 83 |
| 0,15 to <0,25 | 94,405 | 142,637 | 5% | 94,909 | 203 | 0.2% | 44.3% | 26,440 | 28% | 84 | 193 |
| 0,25 to <0,50 | 234,650 | 190,325 | 15% | 252,420 | 305 | 0.4% | 44.2% | 105,939 | 42% | 429 | 1,381 |
| 0,50 to <0,75 | 269,718 | 155,260 | 11% | 262,513 | 224 | 0.6% | 44.0% | 131,017 | 50% | 633 | 1,688 |
| 0,75 to <2,50 | 1,780,114 | 1,210,977 | 19% | 1,819,562 | 1,093 | 1.7% | 48.3% | 1,287,768 | 71% | 10,988 | 23,018 |
| 2,50 to <10,00 | 1,263,400 | 585,766 | 19% | 1,263,725 | 695 | 2.4% | 29.7% | 1,126,010 | 89% | 18,734 | 30,841 |
| 10,00 to <100,00 | 32,244 | 3,891 | 13% | 28,051 | 918 | 37.1% | 46.6% | 39,578 | 141% | 3,276 | 2,933 |
| 100,00 (Default) | 198,799 | 44,744 | 15% | 202,908 | 180 | 100.0% | 44.7% | - | 0% | 90,620 | 141,862 |
| 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 | **7,643,783** | **4,373** | | **6,250,915** | **51,139** | **0%** | | **2,344,803** | **38%** | **159,493** | **374,076** |
| 0,00 to <0,15 | - | - | 0% | - | - | 0.00% | | - | 0% | - | - |
| 0,15 to <0,25 | - | - | 0% | - | - | 0.00% | | - | 0% | - | - |
| 0,25 to <0,50 | 6,383,539 | 4,029 | 0% | 5,117,518 | 43,408 | 0.35% | | 1,193,778 | 0% | 6,541 | 55,047 |
| 0,50 to <0,75 | - | - | 0% | - | - | 0.00% | | - | 38% | - | - |
| 0,75 to <2,50 | 482,987 | 303 | 0% | 403,498 | 3,038 | 1.25% | | 231,112 | 0% | 1,894 | 14,715 |
| 2,50 to <10,00 | 185,275 | - | 0% | 152,636 | 1,277 | 4.97% | | 180,281 | 0% | 2,623 | 12,050 |
| 10,00 to <100,00 | 133,644 | 1 | 100% | 125,959 | 832 | 26.96% | | 276,872 | 23% | 12,588 | 10,298 |
| 100,00 (Default) | 458,338 | 40 | 0% | 451,304 | 2,584 | 100.00% | | 462,759 | 0% | 135,846 | 281,965 |

**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 | **1,423,828** | **2,953,400** | | **3,091,559** | **706,249** | **0%** | | **591,864** | **19%** | **64,507** | **62,294** |
| 0,00 to <0,15 | 110,720 | 733,938 | 56% | 520,657 | 73,866 | 0.12% | | 18,339 | 4% | 296 | 173 |
| 0,15 to <0,25 | - | - | - | - | - | - | | - | - | - | - |
| 0,25 to <0,50 | 232,742 | 1,208,674 | 56% | 914,859 | 224,567 | 0.24% | | 62,607 | 7% | 1,153 | 2,106 |
| 0,50 to <0,75 | 359,676 | 608,856 | 57% | 705,184 | 175,025 | 0.58% | | 96,810 | 14% | 2,146 | 2,572 |
| 0,75 to <2,50 | 477,765 | 283,888 | 60% | 647,451 | 149,318 | 1.50% | | 188,152 | 29% | 5,198 | 6,768 |
| 2,50 to <10,00 | 144,799 | 75,597 | 57% | 187,925 | 46,705 | 5.01% | | 119,300 | 63% | 4,706 | 3,855 |
| 10,00 to <100,00 | 50,917 | 30,130 | 39% | 62,772 | 23,736 | 24.46% | | 86,707 | 138% | 7,455 | 3,760 |
| 100,00 (Default) | 47,209 | 12,316 | 45% | 52,712 | 13,032 | 100.00% | | 19,950 | 38% | 43,553 | 43,061 |

## 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 | **1,107,686** | **300,322** | | **1,392,504** | **32,941** | **0%** | | **563,105** | **40%** | **150,413** | **132,724** |
| 0,00 to <0,15 | - | - | 0% | - | - | 0.00% | | - | 0% | - | - |
| 0,15 to <0,25 | 65,368 | 116,480 | 88% | 167,395 | 1,792 | 0.16% | | 23,703 | 14% | 135 | 177 |
| 0,25 to <0,50 | 128,116 | 53,365 | 95% | 178,969 | 1,271 | 0.30% | | 38,587 | 22% | 271 | 291 |
| 0,50 to <0,75 | 183,842 | 53,735 | 98% | 236,256 | 1,615 | 0.53% | | 71,560 | 30% | 632 | 609 |
| 0,75 to <2,50 | 361,246 | 53,686 | 102% | 415,878 | 2,837 | 1.39% | | 191,023 | 46% | 2,915 | 2,018 |
| 2,50 to <10,00 | 139,343 | 10,238 | 111% | 150,740 | 1,082 | 5.09% | | 90,852 | 60% | 3,873 | 2,398 |
| 10,00 to <100,00 | 85,999 | 12,263 | 105% | 98,934 | 16,526 | 27.72% | | 95,822 | 97% | 13,844 | 5,007 |
| 100,00 (Default) | 143,772 | 555 | 101% | 144,333 | 7,818 | 100.00% | | 51,558 | 36% | 128,742 | 122,223 |

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 | **6,297,899** | **-** | | **6,297,899** | **460,580** | **0%** | | **3,931,744** | **62%** | **441,152** | **471,419** |
| 0,00 to <0,15 | - | - | 0% | - | - | 0.00% | | - | 0% | - | - |
| 0,15 to <0,25 | - | - | 0% | - | - | 0.00% | | - | 0% | - | - |
| 0,25 to <0,50 | 863,136 | - | 0% | 863,136 | 28,435 | 0.30% | | 282,430 | 33% | 1,511 | 3,878 |
| 0,50 to <0,75 | 2,116,556 | - | 0% | 2,116,556 | 91,099 | 0.66% | | 1,094,226 | 52% | 8,154 | 18,894 |
| 0,75 to <2,50 | 1,693,361 | - | 0% | 1,693,361 | 80,995 | 1.28% | | 1,159,559 | 68% | 12,612 | 29,763 |
| 2,50 to <10,00 | 855,863 | - | 0% | 855,863 | 33,716 | 4.41% | | 767,950 | 90% | 22,013 | 44,732 |
| 10,00 to <100,00 | 366,604 | - | 0% | 366,604 | 202,947 | 18.96% | | 447,917 | 122% | 40,577 | 65,371 |
| 100,00 (Default) | 402,379 | - | 0% | 402,379 | 23,388 | 100.00% | | 179,661 | 45% | 356,284 | 308,781 |

As of 30 June 2020, project finance exposure split based on the risk weghts were as follows: Table 36.

| **Bank & Group – in Ron thousands** | | | |
|---|---|---|---|
| **Project finance** RW):** | **Risk exposure*** | **Exposure after CCF & CRM** | **Capital charge** |
| 0 % | 75,171 | 75,171 | 0 |
| 50% | 402,636 | 402,636 | 13,244 |
| 70% | 1,531,102 | 1,531,102 | 79,662 |
| 90% | 355,964 | 355,964 | 25,404 |
| 115% | 0 | 0 | 0 |
| 250% | 0 | 0 | 0 |

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

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

# 17. Article 453 CRR Credit risk mitigation

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

The following paragraphs shows the policies and processes regarding the management and valuation of risk mitigation techniques recognized for economic capital purposes, according to prudential norms of CRR.
There are rules forr eligibility, apparaisal and discounting of the values assigned to de most important and frequently used collateral and guanratees , such as morgages and pledges, financial collateral , receivables, letteras of guarantees and securities.
For a collateral to be recognized as a risk mitigant, it must meet the following criteria:

1. Valid legal title – pertaining to the Bank
2. Sustainable intrinsic value
3. Realisabile and willingness to realise by the Bank
4. Little or no correlation between collateral value and the client's credit standing

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 sooner than loan maturity) the risk protection shall not be recognized if the initial maturity of the protection is lower than 1 year or the residual collateral 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 ot be applied to the collateral value.

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

Collateral valuation is performed by Bank's employees, that have no part in the loan approval process and has the necessary education and abilities to perform such a task (for mortgages and pledge on movables the Bank employs certified appraisers, unde the RO Law).

Revaluation frequency for tangible collateral is once-per-year, whereas the financial collateral is revalued every 6 months. A higher revaluation frequency is used whenever necessary (e.g. major movements of RE market). A lower revaluation frequency is deemed to born additional discounts.

## 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 consist 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 hel 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)
- Short term 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 regurarly updated.

B.3. Equities and convertibile bonds

Equities or convertible bonds which are listed on a recognised exchange are recongnized as risk mitigants.
Nominal collateral value is the mark-to-market value on the Stock Exchange and has to be regurarly 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, Mdax, SDax, NEMAX, TecDAX, DowJones (DJI), S+P 500, Euro Stoxx, Nasdaq, etc) or listed on a recognised exchange (if not in-cluded in a main index).

Effect on credit risk mitigation

LGD-loss given default is reduced to 0 for the respective market value, adjusted (discounted, FX haircut or maturity mismatch adjustement if the case). Consequentli, RWA is reduced to 0, up to max of adjusted value .
For the cash collateral held with a third party – bank – a PD (Probability of Default) change is performed.

### C. *Tangible 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 aproaches**
Raiffeisen Bank uses as credit risk mitigant the following collateral types:
- 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 develpments.

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

**RE valuation**

Nominal collateral value si 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 Standfards for Assets and NBR regulations, and it is performed by certified appraisers (by ANEVAR) with certification of Realestate Appriaser; valuators (either internal or external) are independent form the decision process.
Valuation approaches used are those used by the international practice , and by ther National Valuation Standards in force at valuation date and issued under the Romanian

Law, and compliand with IVS. Approaches used are: market approach and income approach, with cost approach as control-method.

This value is futher reduced by prior ranking liens. Neverheless, Raiffeisen Bank Sa accept as collateral only realestates 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 pe 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 companiea within the group are not eligible.
Receivable value is established by list of debtors or invoices, delivered by the client on regular basis, listis to be reviewed by the bank.

Effect on credit risk mitigation

The bank applies and LGD of 35%for the exposurea covered 125% by receivables- except for Retail customers. . In such case the exposure is not 140% - it is split in a covered amount (considering the threshold of 140%) and an uncovered amount.

### *E. Unfunded credit protection*

The unfunded credit protection is provided by the personal guarantees issued by the eligible parties as mentioned below.

**Types of collateral and valuation approach:**

Eligible 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 goverments;
- 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 ia considered not eligible.

Unfunded protection by a counterguarantee

In such case an unfunded protection is backed by another unfundede protection of one of the following providers, a PD change can be made between the guanrantor 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 goverments.

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 30 June 2020, 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 |
|---|---|---|---|---|
| **Exposure classes in STD** | **-** | **18,071** | **-** | **54,289** |
| Central governments or central banks | - | - | - | - |
| Regional government or local authorities | - | - | - | 53,799 |
| Public sector entities | - | - | - | - |
| Multilateral development banks | - | - | - | - |
| International organisations | - | - | - | - |
| Institutions | - | - | - | - |
| Corporates | - | - | - | - |
| Retail | - | - | - | 451 |
| Secured by mortgages on immovable property | - | 18,071 | - | 40 |
| Exposures in default | - | - | - | - |
| Exposures associated with particularly high risk | - | - | - | - |
| Covered bonds | - | - | - | - |
| Institutions and corporates with a short-term credit assessment | - | - | - | - |
| Collective investment undertakings | - | - | - | - |
| Equity | - | - | - | - |
| Other items | - | - | - | - |
| **Exposure classes in IRB** | **22,552** | **7,916,093** | **2,058,240** | **1,437,674** |
| Exposure to central governments and central banks | - | - | - | - |
| Exposure to institutions | - | - | - | 949,229 |
| Exposure to corporates | 22,552 | 267,938 | 650,908 | 423,405 |
| Exposure to Retail | - | 7,648,156 | 1,397,241 | 65,040 |
| Equity | - | - | - | - |
| Securitization | - | - | 10,091 | - |
| 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 | 17,056,738 | 11,506,920 | 7,956,716 | 3,550,204 | - |
| Total debt securities | 8,425,738 | - | - | - | - |
| Total exposures | 25,482,476 | 11,506,920 | 7,956,716 | 3,550,204 | - |

## 18. 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.

## 19. 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.

## 20. Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

The Bank Recovery and Resolution Directive (*BRRD*), transposed into national legislation via Law no 312/2015, provides that institutions established in the European Union (*EU*) should meet a minimum requirement for own funds and eligible liabilities (*MREL*) to ensure an effective and credible application of the bail-in tool. The requirement has been established to ensure that banks have sufficient own funds and eligible liabilities for loss absorption and recapitalization which would be necessary to implement the preferred resolution strategy in the case of potential bank failure.

National Bank of Romania (*NBR*), in its role of Romanian Resolution Authority, has set the MREL requirement for Raiffeisen Bank S.A. (*RBRO*), based on a joint decision with the Single Resolution Board (*SRB*), in its role of Resolution Authority of Raiffeisen Bank International Group.

According to the notification received from NBR on 20th March 2020, RBRO needs to comply with individual MREL on a sub-consolidated basis at the level of 17.81% of total liabilities and own funds (*TLOF*), which shall be reached by 31st December 2023. In terms of total risk exposure amount (TREA), this requirement would be 29.95% of TREA. For the purposes of determining MREL, NBR has used financial and supervisory information as of 31st December 2017.

During the transition period, RBRO needs to comply with the following MREL targets, calculated on the basis of total liabilities and own funds (TLOF) as of 31 December 2017:

- by 31 December 2020 - 13.86%;
- by 31 December 2021 - 15.18%;
- by 31 December 2022 - 16.49%;
- by 31 December 2023 - 17.81%.

In terms of TREA the phase in requirements are equivalent to:

- by 31 December 2020 - 23.31%;
- by 31 December 2021 - 25.53%;
- by 31 December 2022 - 27.73%;
- by 31 December 2023 - 29.95%.

As of 31 December 2017, RBRO TLOF at sub-consolidated level stood at RON 36,613,420,819 (equivalent of EUR 7,859,487,135 using the European Central Bank exchange rate as of 31 December 2017 – RON/EUR 4,6585), while TREA stood at RON 21,768,311,049 (equivalent of EUR 4,672,815,509 using the same exchange rate as of 31 December 2017).

RBRO has updated its funding plan with the MREL requirements received from the NBR and is working on the establishment of an Euro Medium Term Notes (*EMTN*) programme under which it plans to issue MREL eligible notes.

## 21. List of Tables


| List of Tables | | page |
|---|---|---|
| Table 1 | Information on the consolidation method applied for each entity according to the accounting and prudential consolidation perimeters. | 19 |
| Table 2 | The differences between the perimeters of accounting and prudential consolidiation and the correspondence between the categories of elements from the financial statement and some regulatory risk categories | 20 |
| Table 3 | The main sources of differences between the regulated exposure values and the accounting values in then financial statements | 22 |
| Table 4 | Own funds | 23 |
| Table 5 | Transitional own funds disclosure template according to the EU Technical Implementation standard no.1423/2013 | 25 |
| Table 6 | Reconciliation of subordinated debt in the financial statement and own funds | 29 |
| Table 7 | Reconciliation of other intangibles assets in the Financial Statements and own funds | 29 |
| Table 8 | The value of risk weighted assets determined based on prudential requirements - local standards, as of 30 June 2020 | 30 |
| Table 9 | The project finance exposures, based on classification category, as of 30 June 2020 | 33 |
| Table 10 | The value exposed to risk measured with CRR methods usage, for the transactions under credit risk of counterparty, as of 30 June 2020 | 34 |
| Table 11 | 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) | 46 |
| Table12 | The credit quality on-balance off-balance exposures depending on the sector of activity or the types of counterparties | 52 |
| Table 13 | The credit quality of on-balance and off-balance sheet exposures according to geographical distribution (net values) | 54 |
| Table 14 | The analysis regarding the aging related to the recording in accounting of the outstanding balance sheet exposures, regardless of their depreciation status (gross book amounts) | 56 |
| Table 15 | The non-performing and restructured exposures (gross book amounts) in accordance with Commission (EU) Implementing Regulation No 680/2014 | 57 |
| Table 16 | Credit quality of forborne exposure | 58 |
| Table 17 | Credit quality of performing and non-performing exposures by past due days (table NPL 3) | 60 |
| Table 18 | Information regarding performing and non-performing exposures and related provisions | 62 |
| Table 19 | Collateral obtained by taking possession and execution processes | 64 |
| Table 20 | Changes in depreciation adjustments | 64 |
| Table 21 | Changes in the stock of non-performing loans and debt securities | 65 |
| Table 22 | Overview of EBA – compliant moratoria (legislative and non-legislative) based on residual maturity of moratoria - Group | 68 |

| List of Tables | | page |
| --- | --- | --- |
| Table 23 | Overview of EBA – compliant moratoria (legislative and non-legislative) – Group level | 69 |
| Table 24 | Overview of newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis | 71 |
| Table 25 | Unencumbered assets | 71 |
| Table 26 | Credit quality levels for exposure classes defined in the Standardised Approach, according to the three external institutions | 73 |
| Table 27 | The total exposure value and the exposure value after applying the credit risk mitigation techniques for capital requirements under Standardized approach, as of 30 June 2020 | 74 |
| Table 28 | 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, as of 30 June 2020 | 76 |
| Table 29 | The CCR exposures post conversion factor and post risk mitigation techniques by type of counterparties and by risk weight | 78 |
| Table 30 | The capital requirement for market risk as of 30 June 2020, respectively 31 December 2019 | 80 |
| Table 31 | The change in the economic value of the balance sheet as of 30 June 2020 | 82 |
| Table 32 | The volume of loans portfolio included in securitization as of 30 June 2020 | 83 |
| Table 33 | Description of the factors with impact on the leverage ratio | 84 |
| Table 34 | The exposure classes and the used rating methods | 87 |
| Table 35 | 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, as of 30 June 2020 | 109 |
| Table 36 | Project finance exposure split based on the risk weghts, as of 30 June 2020 | 121 |
| Table 37 | 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, as of 30 June 2020 | 127 |
| Table 38 | Presentation of exposures according to the eligibility of the guarantees considered in determining the capital requirements | 127 |

# 22. Appendices