RAIFFEISEN BANK SA

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

31 DECEMBER 2021

Content

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

Officially in charge as vice-president and chief financial officer of Raiffeisen Bank S.A. - parent company, in accordance with article 31 from republished accounting Law No. 82/1991, I assume the responsibility for preparing the consolidated and separate financial statements as of 31 December 2021 and I confirm that:

a) accounting policies used for preparing the consolidated and separate financial statements as of 31 December 2021 are in accordance with Order of the National Bank of Romania No. 27/2010 and related amendments, which require that these consolidated and separate financial statements to be prepared in accordance with International Financial Reporting Standards as endorsed by the European Union;

b) consolidated and separate financial statements prepared as of 31 December 2021 fairly reflect the financial position, statement of comprehensive income, statement of changes in equity, statement of cash flow and the related notes for the activity developed in accordance with Order of the National Bank of Romania No. 27/2010 and related amendments, which require that these consolidated and separate financial statements to be prepared in accordance with International Financial Reporting Standards as endorsed by the European Union.

Mihail Ion

Vice-president & Chief Financial Officer

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Raiffeisen Bank S.A.

Report on the Audit of the financial statements

Opinion

1. We have audited the separate and consolidated financial statements of Raiffeisen Bank S.A. (the "Bank") and its subsidiaries (together "the Group"), with registered office in 246C Calea Floreasca street, District 1, Bucharest, Romania, identified by the unique tax registration code RO 361820 which comprise the separate and consolidated statement of financial position as at December 31, 2021, and the separate and consolidated statement of comprehensive income, statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.

2. The financial statements as at December 31, 2021 are identified as follows:

Separate financial statements

• Equity	5,198,915 RON thousand
• Net profit for the financial year	788,460 RON thousand

Consolidated financial statements

• Equity	5,354,799 RON thousand
• Net profit for the financial year	818,552 RON thousand

3. In our opinion:

- the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as at December 31, 2021, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and National Bank of Romania Order no. 27/2010 for the approval of Accounting regulation in accordance with International Financial Reporting Standards as adopted by the European Union, with subsequent amendments ("Order 27/2010").

- the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS and Order 27/2010.

Basis for Opinion

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

Key Audit Matters

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

<table>
<tr><th>Nature of the area of focus</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Collective impairment of loans and advances to customers</td><td></td></tr>
<tr><td>
Following the adoption of IFRS 9, the Group accounts for credit losses based on expected credit losses (ECL): for a period up to 12 month for credit exposures for which the credit risk did not increase significantly since origination and for credit life time for those with significant increase in credit risk, as detailed in impairment policy from Note 3(j) to the financial statements.

As at 31 December 2021, the Group's key financial statements lines with significant impact from IFRS 9 requirements are Loans and advances to customers amounting to KRON 34,354,132 (net of the related impairment allowances amount to KRON 1,381,020).

The Group exercises significant judgement using different assumptions over both when and how much to record as impairment for loans and advances to customers. Since determination of appropriate impairment allowances for expected credit losses on loans and advances to customers requires use of complex models identifying relevant historical and forward looking data (generally dependent on IT elements) and significant judgement from the Management, process of measuring expected credit losses may be exposed to management bias. Because loans and advances to customers form a major portion of the Group's assets, and due to the significance of the Management professional judgments applied in classifying loans and advances to customers into various stages stipulated in IFRS 9 and determining related impairment requirements, this audit area is considered a key audit matter.

Key areas of professional judgment exercised by the Management included:
• the use of historic data in the process of determining risk parameters;
• the interpretation of the requirements to determine receivables impairment under application of IFRS 9, which is reflected in the expected credit loss model;
• assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customers;
• timely identification of exposures with a significant increase in credit risk and credit impairment;
• the assessment of the forward-looking information.
</td><td>
Based on our risk assessment and industry knowledge, with the support of our Credit risk experts, we have examined the impairment charges for loans receivables and evaluated the estimates applied as well as the key assumptions and source data used by the Management.

Our procedures included the following elements:

1) Evaluating of key controls in respect of:
• quality assurance of the source data used in developing professional judgements and ECL related models;
• timely identification of significant increase in credit risk and of impairment triggers;
• debtors’ financial performance assessment and estimation of future cash flow;
• the governance processes in place for credit models, inputs and overlays, review of ECLs.

2) Obtaining and analysing the information to support the assumptions used in:
• development of the models for computation of the key risk parameters (12 month Probability of default, Lifetime Probability of default and Loss Given Default), including performing procedures on the source data quality;
• development of the expected credit loss models;
• development and appropriateness of the stage allocation and criteria used for determination of significant increase in credit risk;
• development of models to reflect the potential impact of future economic conditions in the ECL computation;

For all of the above procedures, we involved credit risk specialists to review the ECL model development, forward-looking models and code to test whether these appropriately reflected the Group’s policies and methodologies.

• Verifying together with IT specialists the accurate implementation of the ECL computation methodology into the IT computation systems, including:
o test the general IT controls related to the data sources and computations of ECL;
o assessment on a sample basis of the credit quality and stage allocation;
o test on a sample basis the ECL computations.

3) Analysing the adequacy of significant ECL-related disclosures for compliance with the relevant IFRS requirements.
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Deloitte.

<table>
<tr><th>Nature of the area of focus</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Interest and Fee Income Recognition</td><td></td></tr>
<tr><td>Refer to Note 8 and 9 of the financial statements

For the year ended 31 December 2021 the Group interest income represents KRON 1,972,746 and Group fee and commission income represents KRON 821,227, the main source being loans to customers. These are the main contributors to the operating income of the Group affecting the Group’s profitability.

While interest income is accrued over the expected life of the financial instrument using the effective interest rate, the recognition of fee income depends on the nature of the fees as follows:

• fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income;

• fees for services provided are recognized when service is provided and are presented as fee and commission income;

• fees for the execution of an act are recognized when the act has been completed and are presented as fee and commission income.

Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording, resulted in this matter being identified as a key audit matter.</td><td>We have tested the design and operating effectiveness of the key internal controls and focused on:

• interest/fee data input on loans and advances to customers;

• recording/changes of fees and interest rates data;

• management oversight and control on interest and fee income results, including budget monitoring;

• IT controls relating to access rights and change management of relevant automated controls, with the assistance of our IT specialists.

We performed also the following procedures with regard to interest and fees revenue recognition:

- We evaluated the accounting treatment in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standard. We have focused our testing on challenging the correct classification of:

• fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate;

• fees that are not identified as directly attributable to the financial instrument.

- We assessed the completeness and accuracy of data used for the calculation of interest and fee income.

- We evaluated the mathematical formula used for accruing the relevant income over expected life of the loan.

- We have assessed the interest and fee income by building our own expectation on the revenue and compared with the actual results.</td></tr>
</table>

Nature of the area of focus	How our audit addressed the key audit matter
Contingent liabilities and provisions arising from litigations	
As presented in Note 36 to the financial statements, the Group is involved in a series of litigations and claims. Significant judgement is required by the Group in determining whether, under IAS 37 Provisions, Contingent Liabilities and Contingent Assets: • a reliable estimate can be made of the amount of the obligation, particularly where the information available is limited; • any contingent liabilities and underlying significant estimation uncertainties are adequately disclosed. The determination of whether a provision should be recorded or whether a contingent liability should be disclosed is based on significant management judgement. Considering the value of potential losses that may result from these litigations and the large no of customers involved, that the Group is facing, the uncertainty regarding the final possible outcome of each case and the high level of professional judgement involved we consider the Contingent liabilities and provisions resulting from these litigations to be a key audit matter	In assessing whether the contingent liabilities and provisions arising from litigations have been properly recognized, our procedures included the following: • reviewing the Group's internal process on identifying and assessing the provisions for risk and charges related to litigations, including the appropriateness of judgements used to determine a "best estimate" and the accuracy of data used in the process; • reading the minutes of the Board of Directors and Supervisory Board meetings; • discussing with the management and internal lawyers, part of the Bank's Legal department and evaluating the reasonability of the professional judgements used as a basis for the recognition and measurement of provisions or contingent liabilities; • obtaining legal letters from the external lawyers of the Group and analysed the interpretation of the lawyers for the cases presented, information that we corroborated with the analysis received from the Legal Department of the Bank; • evaluating the assumptions and probabilities used and analysing the potential outcomes of provisions; • evaluating the adequacy of the significant disclosures made by the Group in the notes to the financial statements regarding the provisions for litigations.

Other information- Administrator's Report

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

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

   In connection with our audit of the financial statements for the year ended 31 December 2021, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

a) The information included in the administrators' report for the financial year for which the financial statements have been prepared are consistent, in all material respects, with these financial statements;

b) The administrators' report has been prepared, in all material respects, in accordance with the provisions of the National Bank of Romania Order no. 27/2010, articles 12-16 and articles 32-33.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the financial statements prepared as at 31 December 2021, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Requirements for audits of public interest entities

15. We have been appointed by the General Assembly of Shareholders dated 29 April 2020 to audit the financial statements of Raiffeisen Bank S.A. for the financial year ended December 31, 2021. The uninterrupted total duration of our commitment is one year, covering the financial years ended 31 December 2021.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Bank that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the Group.

- No non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014 were provided.

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

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

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

(I) Raiffeisen Bank S.A.'s Management Responsibility for the Digital files prepared in compliance with the ESEF

Raiffeisen Bank S.A.'s management is responsible for preparing digital files that comply with the ESEF. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF

- the selection and application of appropriate iXBRL mark ups;

- ensuring consistency between the Digital Files and the financial statements to be submitted in accordance with Order 27/2010;

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

(II) Auditor’s Responsibilities for Audit of the Digital Files

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

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

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

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

Conclusion

In our opinion, the financial statements for the year ended 31 December 2021 included in the annual financial report in the digital files comply in all materials respects with the requirements of ESEF Regulation.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our audit opinion relating to the financial statements of Raiffeisen Bank S.A. for the year ended 31 December 2021 is set out in the *Report on the audit of financial statements* section above.

Irina Dobre, Audit Partner

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

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

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei, 9th Floor, District 1
Bucharest, Romania
21 March 2022

In RON thousand	Note	Group 2021	Group 2020	Bank 2021	Bank 2020
Interest income		1,972,746	1,924,959	1,928,379	1,873,937
Interest expense		(178,376)	(175,312)	(173,818)	(166,791)
Net interest income	8	**1,794,370**	**1,749,647**	**1,754,561**	**1,707,146**
Fees and commissions income		821,227	804,345	770,801	761,600
Fees and commissions expense		(245,412)	(277,015)	(245,023)	(276,873)
Net fee and commission income	9	**575,815**	**527,330**	**525,778**	**484,727**
Net trading income	10	359,506	333,442	360,385	333,755
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	26	(13,352)	17,484	(13,178)	16,983
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income		2,693	8,169	2,693	8,168
Gains or (-) losses from hedge accounting, net	27	(1,911)	801	(1,911)	801
Other operating income	11	28,208	25,042	48,504	62,834
Operating income		**2,745,329**	**2,661,915**	**2,676,832**	**2,614,414**
Operating expenses	12	(949,707)	(909,064)	(870,708)	(882,887)
Personnel expenses	13	(642,862)	(666,276)	(613,789)	(636,542)
Impairment losses on financial assets	14	(108,137)	(315,531)	(183,563)	(321,365)
Share of gain from associates and joint ventures	25	2,824	(261)	-	-
Profit before income tax		**1,047,447**	**770,783**	**1,008,772**	**773,620**
Income tax expense	15,16	(228,895)	(134,174)	(220,312)	(129,480)
Net profit for the year		**818,552**	**636,609**	**788,460**	**644,140**
Items that may be reclassified subsequently to profit or loss					
Net gains (losses) on financial assets at fair value through other comprehensive income		(193,502)	54,992	(192,311)	54,545
Related tax for above positions		30,960	(8,727)	30,770	(8,727)
Items that may not be reclassified subsequently to profit or loss					
Fair value changes of the equity instruments at fair value through other comprehensive income		4,778	(34)	4,778	(34)
Related tax for above positions		(765)	5	(765)	5
Other comprehensive income for the year, net of income tax		**(158,529)**	**46,236**	**(157,528)**	**45,789**
Total comprehensive income for the year, net of income tax		**660,023**	**682,845**	**630,932**	**689,929**

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

The consolidated and separate financial statements were approved by the Management Board on 15 March 2022 and were signed on its behalf by:

Mihail Ion
Vice-president & Chief Financial Officer

Monica Curea
Accounting Director

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

In RON thousand	Note	Group 31 December 2021	Group 31 December 2020	Bank 31 December 2021	Bank 31 December 2020
Assets					
Cash and cash with Central Bank	17	11,288,325	10,854,199	11,285,168	10,853,779
Loans and advances to banks at amortised cost	20	1,518,422	972,059	1,504,874	971,166
Derivative assets held for risk management	19	8,305	729	8,305	729
Trading assets	18	135,174	354,271	135,174	354,271
Financial assets mandatorily at fair value through profit or loss	26	257,908	393,847	243,382	379,146
Investment securities at fair value through other comprehensive income	22	3,660,744	3,212,528	3,563,816	3,150,884
Equity instruments at fair value through other comprehensive income	23	49,766	44,989	49,766	44,989
Investment in subsidiaries, associates and joint ventures	25	32,243	29,419	126,520	107,166
Loans and advances to customers at amortised cost	21	32,973,112	28,773,060	32,499,754	28,220,851
Fair value changes of the hedged items-asset	27	-	10,449	-	10,449
Investment securities at amortised cost	24	8,550,464	6,095,709	8,414,355	5,912,605
Income tax receivable	15	74,336	146,211	73,849	145,445
Other assets	28	407,256	269,179	382,561	245,887
Deferred tax assets	29	50,591	26,621	47,229	21,482
Property, equipment and right-of-use assets	30	477,715	565,779	476,362	563,599
Intangible assets	31	349,100	304,156	346,310	300,464
Total assets		**59,833,461**	**52,053,205**	**59,157,425**	**51,282,912**
Liabilities					
Trading liabilities	18	20,861	23,393	20,861	23,393
Derivative liabilities held for risk management	19	3,268	15,971	3,268	15,971
Deposits from banks	32	357,562	338,463	357,562	338,463
Deposits from customers	33	49,702,577	43,553,033	49,641,409	43,394,928
Loans from banks and other financial institutions	34	345,077	432,178	8,611	17,657
Fair value changes of the hedged items-liability	27	3,466	-	3,466	-
Derivatives – hedge accounting	27	8,298	21,488	8,298	21,488
Current tax liabilities		37,837	992	36,732	-
Other liabilities	35	1,124,225	912,811	1,118,885	901,491
Debt securities issued	34	2,118,575	480,092	2,118,575	480,092
Subordinated liabilities	34	323,334	416,326	323,334	416,326
Provisions	36	433,582	354,829	317,509	296,352
Deferred tax liabilities		-	85	-	-
Total liabilities		**54,478,662**	**46,549,661**	**53,958,510**	**45,906,161**
Equity					
Share capital	37	1,200,000	1,200,000	1,200,000	1,200,000
Other equity instruments	38	238,599	238,599	238,599	238,599
Retained earnings		3,778,283	3,768,499	3,622,259	3,642,567
Other reserves	39	137,917	296,446	138,057	295,585
Total equity		**5,354,799**	**5,503,544**	**5,198,915**	**5,376,751**
Total liabilities and equity		**59,833,461**	**52,053,205**	**59,157,425**	**51,282,912**

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

The consolidated and separate financial statements were approved by the Management Board on 15 March 2022 and were signed on its behalf by:

Mihail Ion
Vice-president & Chief Financial Officer

Monica Curea
Accounting Director

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

Group

In RON thousand	Share capital	Other equity instruments	Other reserves	Retained earnings	Total
Balance at 1 January 2020	**1,200,000**	**238,599**	**280,102**	**3,112,004**	**4,830,705**
Net profit for the year	-	-	-	636,609	636,609
Other comprehensive income, net of income tax	-	-	46,236	-	46,236
Total comprehensive income for the period, net of income tax	**-**	**-**	**46,236**	**636,609**	**682,845**
Distribution related to AT1 instruments	-	-	-	(8,171)	(8,171)
Other changes	-	-	(29,892)	28,057	(1,835)
Balance at 31 December 2020	**1,200,000**	**238,599**	**296,446**	**3,768,499**	**5,503,544**
Balance at 1 January 2021	**1,200,000**	**238,599**	**296,446**	**3,768,499**	**5,503,544**
Net profit for the year	-	-	-	818,552	818,552
Other comprehensive income, net of income tax	-	-	(158,529)	-	(158,529)
Total comprehensive income for the period, net of income tax	**-**	**-**	**(158,529)**	**818,552**	**660,023**
Distribution related to AT1 instruments	-	-	-	(18,808)	(18,808)
Distribution of dividends	-	-	-	(789,960)	(789,960)
Balance at 31 December 2021	**1,200,000**	**238,599**	**137,917**	**3,778,283**	**5,354,799**

Bank

In RON thousand	Share capital	Other equity instruments	Other reserves	Retained earnings	Total
Balance at 1 January 2020	**1,200,000**	**238,599**	**279,688**	**2,976,706**	**4,694,993**
Net profit for the year	-	-	-	644,140	644,140
Other comprehensive income, net of income tax	-	-	45,789	-	45,789
Total comprehensive income for the period, net of income tax	**-**	**-**	**45,789**	**644,140**	**689,929**
Distribution related to AT1 instruments	-	-	-	(8,171)	(8,171)
Other changes	-	-	(29,892)	29,892	-
Balance at 31 December 2020	**1,200,000**	**238,599**	**295,585**	**3,642,567**	**5,376,751**
Balance at 1 January 2021	**1,200,000**	**238,599**	**295,585**	**3,642,567**	**5,376,751**
Net profit for the year	-	-	-	788,460	788,460
Other comprehensive income, net of income tax	-	-	(157,528)	-	(157,528)
Total comprehensive income for the period, net of income tax	**-**	**-**	**(157,528)**	**788,460**	**630,932**
Distribution related to AT1 instruments	-	-	-	(18,808)	(18,808)
Distribution of dividends	-	-	-	(789,960)	(789,960)
Balance at 31 December 2021	**1,200,000**	**238,599**	**138,057**	**3,622,259**	**5,198,915**

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

In RON thousand	Note	Group 2021	Group 2020	Bank 2021	Bank 2020
Cash flows from operating activities					
Net profit for the year		818,552	636,609	788,460	644,140
Adjustments for non-cash items:					
Depreciation and amortization	12	228,248	231,836	225,293	228,834
Net impairment loss on financial assets (release from recoveries is not included)	14	143,877	351,046	218,848	356,442
Group share of gain from associates and joint ventures	25	(2,824)	261	-	-
Loss on the sale of property, plant and equipment and of intangible assets		3,224	15,354	4,252	15,395
Net charge of provisions for litigation and other provisions	11,12	95,387	113,477	36,669	111,598
Income tax expense	15,16	228,895	134,174	220,312	129,480
Net gains on non-trading financial assets mandatorily at fair value through profit or loss	26	13,352	(17,484)	13,178	(16,983)
Other fair value adjustments		(20,279)	(1,219)	(20,279)	(1,219)
Net interest income	8	(1,794,370)	(1,749,647)	(1,754,561)	(1,707,146)
Unrealized foreign exchange losses		7,414	18,405	7,414	18,405
Income from dividends	11	(1,481)	(1,696)	(23,234)	(41,447)
Operating profit before changes in operating assets and liabilities		**(280,005)**	**(268,884)**	**(283,648)**	**(262,501)**
Change in operating assets:					
(Increase)/Decrease in trading assets and derivatives held for risk management		219,097	48,660	219,097	48,660
(Increase)/Decrease in loans and advances to banks at amortised cost		137,099	(188,007)	137,164	(200,052)
(Increase) in loans and advances to customers at amortised cost and at fair value through profit or loss		(4,258,965)	(1,557,023)	(4,341,688)	(1,630,004)
(Increase)/Decrease in investment securities at fair value through other comprehensive income		(639,029)	(745,918)	(602,744)	(756,511)
(Increase) in investment securities at amortised cost		(2,471,321)	(1,123,368)	(2,518,316)	(1,218,808)
(Increase)/Decrease in other assets		(133,823)	80,548	(131,298)	65,557
Proceeds from sale of loans and recoveries from write-offs	14	35,740	44,485	35,285	44,046
Change in operating liabilities:					
Increase/(Decrease) in trading liabilities		(2,532)	8,302	(2,532)	8,302
Increase/(Decrease) in deposits from banks		19,099	29,793	19,099	29,793
Increase in deposits from customers		6,156,404	7,435,734	6,253,341	7,584,145
Increase/(Decrease) in other liabilities		268,816	4,065	274,796	396
Taxation paid		(110,080)	(167,788)	(103,581)	(159,303)
Interest paid		(155,548)	(167,704)	(150,990)	(159,183)
Interest received		1,962,130	1,896,724	1,917,763	1,845,702
Cash flows from operating activities		**747,082**	**5,329,619**	**721,748**	**5,240,239**
Investing activities:					
Proceeds from sale of property, plant and equipment		1,536	1,570	1,536	661
Acquisition of property, plant and equipment	30	(38,061)	(74,985)	(37,884)	(73,491)
Acquisition of intangible assets	31	(115,114)	(143,142)	(115,093)	(141,499)
Acquisition of investment in subsidiaries	25	-	-	(89,999)	(15,000)
Proceeds from sale of equity investments		(2)	-	(2)	-
Acquisitions / payments related to investment in associates	25	-	(11,900)	-	(11,900)
Dividends received		1,481	1,696	23,234	41,447
Cash flows used in investing activities		**(150,160)**	**(226,761)**	**(218,208)**	**(199,782)**

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

In RON thousand	Note	Group 2021	Group 2020	Bank 2021	Bank 2020
Financing activities					
Cash from loans from banks and subordinated liabilities		73,041	131,474	-	-
Proceeds from debt securities issued		1,608,076	-	1,608,076	-
Repayments of loans from banks and subordinated liabilities		(259,104)	(211,896)	(108,008)	(24,250)
Dividends paid	37	(789,960)	-	(789,960)	-
Distribution related to AT1 instruments	37	(18,808)	(8,171)	(18,808)	(8,171)
Repayment of principal portion of lease liability	30	(92,579)	(90,201)	(92,579)	(90,201)
Cash flows from financing activities		**520,666**	**(178,794)**	**598,721**	**(122,622)**
Net increase/(decrease) in cash and cash equivalents		1,117,588	4,924,064	1,102,261	4,917,835
Cash and cash equivalents at 1 January		**11,633,750**	**6,709,686**	**11,620,390**	**6,702,555**
Cash and cash equivalents at 31 December		**12,751,338**	**11,633,750**	**12,722,651**	**11,620,390**

Analysis of cash and cash equivalents

In RON thousand	Note	Group 2021	Group 2020	Bank 2021	Bank 2020
Cash and cash equivalents comprise:					
Cash on hand		3,998,142	3,557,204	3,994,985	3,556,784
Cash with Central Bank		7,290,183	7,296,995	7,290,183	7,296,995
	17	**11,288,325**	**10,854,199**	**11,285,168**	**10,853,779**
Loans and advances to banks – less than 3 months		1,463,013	779,551	1,437,483	766,611
Cash and cash equivalents in the cash flows statement		**12,751,338**	**11,633,750**	**12,722,651**	**11,620,390**

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

Analysis of the changes in financing during the year

Reconciliation of movements of liabilities to cash flows arising from financing activities

Group

In RON thousand	**Debt securities issued**	**Loans from Banks and Subordinated liabilities**	**Lease liabilities (note 30)**	**Share capital**	**Other equity instruments**	**Retained earnings**	**Other reserves**	**Total**
Balance at 1 January 2021	**480,092**	**848,504**	**335,493**	**1,200,000**	**238,599**	**3,768,499**	**296,446**	**7,167,633**
Changes from financing cash flows								
Proceeds from issue of debt securities	1,608,076	-	-	-	-	-	-	1,608,076
Repayment of debt securities	-	-	-	-	-	-	-	-
Cash from loans from banks and subordinated liabilities	-	73,041	-	-	-	-	-	73,041
Repayments of loans from banks and subordinated liabilities	-	(259,104)	-	-	-	-	-	(259,104)
Payment of lease liability	-	-	(92,579)	-	-	-	-	(92,579)
Proceeds from exercise of share options	-	-	-	-	-	-	-	-
Dividends and coupon on equity instruments paid	-	-	-	-	-	(808,768)	-	(808,768)
Total changes from financing cash flows	**1,608,076**	**(186,063)**	**(92,579)**	**-**	**-**	**(808,768)**	**-**	**520,666**
Changes in Fair value	-	-	-	-	-	-	(188,724)	(188,724)
Other changes	-	-	28,786	-	-	818,552	30,195	877,533
Liability-related								
Interest expense	59,331	20,078	2,668	-	-	-	-	82,077
Interest paid	(28,924)	(20,951)	(2,382)	-	-	-	-	(52,257)
The effect of changes in foreign exchange rates	-	6,843	14,088	-	-	-	-	20,931
Balance at 31 December 2021	**2,118,575**	**668,411**	**286,074**	**1,200,000**	**238,599**	**3,778,283**	**137,917**	**8,427,859**

Analysis of the changes in financing during the year

Reconciliation of movements of liabilities to cash flows arising from financing activities

Bank

In RON thousand	**Debt securities issued**	**Loans from Banks and Subordinated liabilities**	**Lease liabilities (note 30)**	**Share capital**	**Other equity instruments**	**Retained earnings**	**Other reserves**	**Total**
Balance at 1 January 2021	**480,092**	**433,983**	**335,493**	**1,200,000**	**238,599**	**3,642,567**	**295,585**	**6,626,319**
Changes from financing cash flows								
Proceeds from issue of debt securities	1,608,076	-	-	-	-	-	-	1,608,076
Repayment of debt securities	-	-	-	-	-	-	-	-
Cash from loans from banks and subordinated liabilities	-	-	-	-	-	-	-	-
Repayments of loans from banks and subordinated liabilities	-	(108,008)	-	-	-	-	-	(108,008)
Payment of lease liability	-	-	(92,579)	-	-	-	-	(92,579)
Proceeds from exercise of share options	-	-	-	-	-	-	-	-
Dividends and coupon on equity instruments paid	-	-	-	-	-	(808,768)	-	(808,768)
Total changes from financing cash flows	**1,608,076**	**(108,008)**	**(92,579)**	**-**	**-**	**(808,768)**	**-**	**598,721**
Changes in Fair value	-	-	-	-	-	-	(187,533)	(187,533)
Other changes	-	-	28,786	-	-	788,460	30,005	847,251
Liability-related								
Interest expense	59,331	17,115	2,668	-	-	-	-	79,114
Interest paid	(28,924)	(17,834)	(2,382)	-	-	-	-	(49,140)
The effect of changes in foreign exchange rates	-	6,689	14,088	-	-	-	-	20,777
Balance at 31 December 2021	**2,118,575**	**331,945**	**286,074**	**1,200,000**	**238,599**	**3,622,259**	**138,057**	**7,935,509**

1. REPORTING ENTITY

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

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

The consolidated financial statements of the Bank for the year ended 31 December 2021 comprise the Bank and its subsidiaries (together referred to as the "Group").

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

The main activity of the Bank is to provide day-to-day banking services to corporate and individual clients. These include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium term facilities, bank guarantees and letters of credit. The Group also provides financial leasing services, home saving loan services and asset management services. The Group operates through the Head Office located in Bucharest and through its network of 300 branches as at 31.12.2021 (2020: 333 branches).

The Bank is managed in accordance with the dual management system by a Supervisory Board made up of 9 members and a Management Board made up of 6 members.

The members of the Supervisory Board as of December 31, 2021 are as follows:

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

The structure of the Management Board as of December 31, 2021 is as follows:

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

2. BASIS OF PREPARATION

a) Statement of compliance

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

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

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

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

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The management judgments in applying accounting policies which have a significant impact on the consolidated and separate financial statements as well as highly uncertain estimates are disclosed in Note 6.

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

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

(i) Subsidiaries

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

The Bank holds:
- 99.99% (2020: 99.99%) interest and voting rights in Raiffeisen Leasing IFN S.A.;
- 99.99% (2020: 99.99%) interest and voting rights in Aedificium Banca Pentru Locuinte S.A.
- 99.99% (2020: 99.99%) investment and voting rights in Raiffeisen Asset Management S.A., an asset management company with the purpose of funds administration.

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

Raiffeisen Leasing IFN S.A. has been representing the Raiffeisen Group on the Romanian Leasing Market since 2002. The company share capital is RON 14,935,400 and offers a wide range of products for SMEs, corporations and, in a small part, for individuals. The company provides customized financing solutions in RON or EUR, offering fixed or variable interest finance for various types of projects and assets, such as vehicles and equipment. Raiffeisen Leasing offer is also available in Raiffeisen Bank network units.

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

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

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

(ii) Associates

The Bank holds:
- 33.33% (2020: 33.33%) interest in Fondul de Garantare a Creditului Rural – IFN S.A.
- 33.33% (2020: 33.33%%) interest in CIT One S.R.L.

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

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

(iv) Transactions eliminated on consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign Currency

Foreign currency transactions

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

c) Interest income and expense

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

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

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

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

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

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

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

d) Fees and commissions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Fees and commissions (continued)

Fee and commission income from services where performance obligations are satisfied over time

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Fees and commissions (continued)

Fee and commission income from providing services where performance obligations are satisfied at a point in time

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

Type of service	Nature and timing of satisfaction of performance obligations	Revenue recognition policies under IFRS 15
Payments and electronic banking	The fees charged by the Bank for processing payments and incomings instructed by clients through various channels (paper-based or electronic). Fees related to these services can be typically account transaction fees: money transfer fees, direct debit fees, transaction-based fees charged by the Bank for interchange, foreign currency transactions and overdrafts and are charged to the customer's account when the transaction takes place.	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Cash services	The Bank earns fees for cash withdrawals from current account at bank cashier or from the ATM/MFM, cash deposits at bank cashier, money transfers with international coverage. The commissions related to cash operations are automatically withheld, at the time of settlement of the transaction.	Revenue is recognized at the point in time when the transaction takes place.
Revenue related to transactions	Loan syndication fees charged by the Bank, in those situations where they are clearly to be regarded as service fees from syndicated transactions, because of their economic substance, meaning the Bank does not retain any part of the loan package for itself.	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Fees and commission related to the issued bank cards	In case of transaction-based fees (e.g., cash withdrawal/payment fee, merchant fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount. Bank fees related to credit/debit card operating services are charged from the current account at the date of transaction.	Revenue is recognized at the point in time when the transaction takes place.
Interchange fees	The services are related to card processing services (i.e., authorization and settlement of transactions executed with the Bank's cards) where it is entitled to an interchange fee for each transaction. The fees vary based on the number of transactions processed and the allocated revenue is recognized when the transaction takes places or on a monthly basis.	Revenue is recognized at the point in time when the transaction takes place.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Net trading income

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

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

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

g) Dividends

Dividend income is recognized through profit or loss statement when the right to receive the income is established. Usually, this is the ex-dividend date for equity securities. Dividends from equities, subsidiaries not fully consolidated and associates not valued at equity are reflected as a component of other operating income in statement of comprehensive income.
Tax on received dividends is recognized at the same time as the payment of the related dividends and is due in the following month.

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

h) Lease payments

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

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

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

i) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in profit or loss or equity except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
Deferred tax is determined using the balance sheet method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the goodwill from transactions that are not a business combination and that affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates which are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Income tax (continued)

reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Group analysed the investment in subsidiaries and related potential unrecognised deferred tax liabilities and decided not to book any deferred tax liability as the Group controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not be reversed in the foreseeable future.

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

j) Financial instruments

(i) Classification

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

The classification categories for financial assets are:
a. amortized cost;
b. fair value through other comprehensive income (FVOCI)
c. fair value through profit or loss (FVTPL).

a. Amortised cost

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

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

b. FVOCI

1. fair value through other comprehensive income (FVOCI) with gains or losses recycled to profit or loss on derecognition;
2. equity instruments at FVOCI, with no recycling of gains or losses on profit or loss on derecognition;

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

c. FVTPL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

FVOCI Election for Equity Instruments

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Business model assessment

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

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

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

Three business models are allowed:

a. Hold-to-collect

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

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

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

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

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

b. Hold-to-collect and Sale

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

c. Other

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

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

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

(iii) The SPPI test

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Financial assets and liabilities

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

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

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

Derivatives

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

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

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

Embedded derivatives

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

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

Financial assets or financial liabilities held for trading

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt instruments at FVOCI

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

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

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

Equity instruments at FVOCI

Upon initial recognition, the Group elected to classify irrevocably its equity investments, other than subsidiaries, joint ventures and associates as equity instruments at FVOCI with no recycling of gains or losses on profit or loss on derecognition. This decision is made on an investment-by-investment basis for each investment and essentially covers strategic investments that are not fully consolidated.

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

Debt issued and other borrowed funds

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

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

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

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

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and undrawn loan commitments

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

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

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

(v) Recognition

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

Initial recognition date is important given that:

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

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

(vi) Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Modification of financial assets

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

(vii) Offsetting

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

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

(viii) Fair value measurement

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

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

(ix) Identification and measurement of impairment

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

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

- **Stage 1**: essentially includes all financial instruments whose credit default risk has not significantly increased since their initial recognition. On initial recognition of loans, the Bank records an impairment in the amount of the expected twelve-month loss. Stage 1 also includes loans where the credit risk improved and which have thus been reclassified from Stage 2.

- **Stage 2**: financial instruments whose credit risk has significantly increased since their initial recognition and which, as at the reporting date, are not classified as transactions with limited credit risk. Impairments in Stage 2 are recognized in the amount of the financial instrument's lifetime expected credit loss. Stage 2 also includes loans where the credit risk improved and which have thus been reclassified from Stage 3.

- **Stage 3**: includes financial instruments which are classified as impaired as at the reporting date. Group's criterion for this classification is the definition of a default. The expected credit loss over the entire remaining lifetime of the financial instrument is also to be used as the basis for recognizing impairment of Stage 3 loans in default.

- **POCI**: Purchased or originated credit-impaired assets are financial assets which were already impaired at the time of initial recognition. On initial recognition, the asset is recorded at fair value without any impairment, using an effective interest rate that is adjusted for creditworthiness. The impairment recognized in subsequent periods equals the cumulative change in the lifetime expected credit loss of the financial instrument since the initial recognition in the statement of financial position. This remains the basis for measurement, even if the value of the financial instrument has risen.

Measurement of Expected Credit Losses

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

- Sovereign: the loss given default is found by using market implied sources.
- Corporate customers, project finance, financial institutions, local and regional governments, insurance companies: the loss given default is generated by discounting cash flows collected during the workout process. Forward-looking information is incorporated into the loss given default using the Vasicek model.
- Retail mortgages and other retail lending: the loss given default is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory loss given default. Forward-looking information is incorporated into the loss given default using various satellite models.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The mechanics of the ECL method are summarized below:

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

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

- **Stage 3:** For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans.

  Non-retail:

  As general rule, IFRS 9 requires the usage of several cash flows scenarios (undergoing concern and/or gone concern strategy) for NPV assessment within the stage 3 provisions calculation.
  Several scenarios can be used for assessment and computation of stage 3 provisions, nevertheless minimum. two scenarios shall be applied, of which one scenario must be a gone concern scenario. Probabilities for each scenario have to be assigned according to the likelihood of each scenario. In case no reliable going concern scenario exists, gone concern scenarios shall be estimated.
  For the exposures where previously stage 3 provisions were not allocated and where following the assessment of impairment triggers a loss event occurs, a NPV test has to be performed for these exposures to measure the quantity of the loss.
  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) the Bank 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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Gone concern scenario - highlights:

- Realization of collateral is the main source of cash flows;
- Cash flows for debt service also have to take other lenders into consideration as well as their ranking and must be documented
- Stage 3 provisions 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.

Retail:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued).

- **Loan commitments and letters of credit**: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within *Provisions*.
- **Financial guarantee contracts**: The Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the scenarios. The ECLs related to financial guarantee contracts are recognized within *Provisions (note 3 u).*

Debt instruments measured at fair value through OCI

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

Purchased or originated credit impaired financial assets (POCI)

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

Significant Increase in Credit Risk

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

- *Quantitative Criteria*

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

The Group is not aware of any generally accepted market practice for the level at which a financial instrument has to be transferred to Stage 2. However, the Group is constantly monitoring on portfolio level what is the appropriate level and adjust if there is clear evidence that a different value is better reflecting the significant increase in risk.

3. SIGNIFICANT ACCOUNTING POLICIES (continued).

- *Qualitative Criteria*

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

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

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

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

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

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

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

Backstop

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

Definition of Default and Credit-Impaired Assets

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

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

- *Quantitative Criteria*

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

- *Qualitative Criteria*

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Forward Looking Information

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sensitivity analysis

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

- Corporate portfolios
  - Gross domestic product
  - Unemployment rate.

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

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

Discount Factor

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

Collateral valuation

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

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

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

Write-offs

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

k) Hedge Accounting

The Group has elected, to continue to apply hedge accounting in accordance with IAS 39.

The Group applies micro and macro fair value hedge. The Group's hedging objective refers explicitly to the interest rate risk exposure due to shifts in the corresponding benchmark rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

At inception, the Group formally documents how the hedging relationship meets the hedge accounting criteria, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis. In order to qualify for hedge accounting, a hedge relationship must be expected to be highly effective on a prospective basis and it needs to be demonstrated that it was highly effective in the previous designated period (i.e., one month).

A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk are expected to be offset by the hedging instrument in a range of 80% to 125%. It is also necessary to assess, retrospectively, whether the hedge was highly effective over the previous one month period. The hedge accounting documentation includes the method and results of the hedge effectiveness assessments.

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

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

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

If a hedging relationship no longer meets the hedge effectiveness criteria or fails the materiality threshold mentioned above, hedge accounting ceases from the last date on which the hedge was considered to be effective, which will be the beginning of the period in which the hedge ceased to meet the effectiveness criteria or exceeded the materiality threshold.

If the entity determines that a certain event, change in circumstances/market disruption caused the hedging relationship to fail the effectiveness tests and demonstrates that the hedge was effective before the event or change in circumstances occurred, hedge accounting ceases from the date of the event or change in circumstances.

After derecognition of the hedging relationship, the future fair value changes of the derivative are further recognized in profit or loss under "Trading income", whereas the hedged item will be accounted for as it was before the hedging designation, without applying the hedge accounting rules. For the items for which the effective interest method is used, the previous hedging adjustments are amortized to profit or loss over the remaining life of the hedged item.

l) Cash and cash equivalents

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

m) Property, plant and equipment

Recognition and measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Depreciation

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

The estimated useful lives are as follows:

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

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

n) Intangible assets

Software

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) ***Leased assets***

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

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

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

p) **Impairment of non-financial assets**

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Inventory

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

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

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

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

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

Other equity instruments are comprised of subordinated unsecured instruments notes issued by the Group that are classified as equity instruments (refer to *Note 42).* At initial recognition the instruments are booked at nominal amount less transaction costs directly attributable to the instruments. The instruments are kept in functional currency, its value being the amount in foreign currency multiplied by the exchange rate applicable at transaction date. Subsequently they are maintained in functional currency, without being revaluated, as the instruments represent non-monetary elements. Distributions from principal are paid from distributable profits and represent dividends. In case the Group requires redemption, the payment is made in original currency, at the exchange rate available at the payment date. If a decision for redemption is made, the instruments are reclassified as financial liabilities. Also, in case distributions are made during the period in which the instruments are classified as liabilities, such distributions represent interest expense for the Group. In case of write down, the amount is booked directly in equity.

s) Employee benefits

Short-term benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be paid in full within twelve months from the annual reporting period in which the employees provide the service in question.
The short-term benefits of the employees include: indemnities, salaries, social security contribution.These are recognized as expenses as the services are provided.

Both the Bank and its employees are obliged by law to contribute to social security contribution, through the National Pension Fund managed by the National House of Pensions and Social Insurance in Romania (a contribution plan financed on the basis of withholding taxes). The Group and the Bank have no legal or implied obligation to pay future benefits.The only obligation of the Bank is to pay the contributions when they become due.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits or short-term benefits) that are payable after the end of the employment contract.
Post-employment benefit plans are classified either as defined contribution plans or as defined benefit plans, depending on the economic substance of the plan, as arising from its main terms and conditions

- ***Defined benefit plans***

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

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

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

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

- ***Defined contribution plans***

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Long-term employee benefits***

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

t) Business combination

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

Transaction costs related to business combinations are recognized in the profit or loss when incurred.

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

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

u) Provisions

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

v) Taxes

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

The liability to pay these levies is recognized when they become constructive. For the deposit insurance fee and resolution fund fee, the obligation arises annually on January 1, as the Bank performs activities related to deposits received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Segment reporting

The Group discloses information at segment level to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

An operating segment is a component of the Group:
(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group)
(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to take decisions about resources to be allocated to the segment and assess its performance, and
(c) for which discrete financial information is available.

Segment reporting is based on the following business lines of the Group: corporate, individuals, small and medium entities (referred to as "SME") and treasury, the latter including financial institutions.

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

Standards issued but not yet effective and not early adopted:

The Group has not adopted early any standard, interpretation or amendment that has been issued but is not yet effective.

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),

  Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),

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

- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

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

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform — Phase 2 issued by IASB on 27 August 2020. The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting:

  a) **Modification of financial assets, financial liabilities and lease liabilities -** the IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

  b) **Hedge accounting requirements -** under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

  c) **Disclosures -** in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about:
     - how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition;
     - quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark;
     - to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.

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

The exposure of the Bank towards relevant benchmark rates at 31 December 2021 are presented below:

RON thousand	Loans and advances	Deposits	Debt securities (assets)	Debt securities issued (liabilities)	Derivatives
	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Notional
referenced to EONIA	89,928	-	-	-	-
referenced €STR	511,773	-	-	-	-
referenced to EURIBOR (all tenors)	6,422,590	197,924	-	-	249,485
referenced to LIBOR (all tenors)	679,202	-	-	-	-
of which: USD	471,020	-	-	-	-
of which: CHF	208,182	-	-	-	-
referenced to other (national) benchmarks (all tenors)	16,637,792	47,542	194,672	480,000	172,000
of which ROBOR	12,824,981	47,542	194,672	480,000	172,000
of which IRCC	3,812,810	-	-	-	-

The risk related to the implementation of the new family of risk free interest rates introduced to markets are the risks on the existing contracts (legacy contracts), for which new interest rates will be used, especially in relation to the loans granted to personal individuals, in swiss franc currency, for which the replacement rates were established directly through European Commission Regulation (COMMISSION IMPLEMENTING REGULATION (EU) 2021/1847 of 14 October 2021 on the designation of a statutory replacement for certain settings of CHF LIBOR**)** and the national legislation was not amended accordingly.

In order to make the transition to the new benchmarks, the Bank performed the following activities:

- changed the new contracts with the customers so that the fallback clause was included since January 2020;
- for the existing clients with loans tight to EONIA or Libor CHF, either the contracts were changed by signing an Addendum prior to January 2022 or the rates were replaced starting with January 2022 with the replacement rates indicated by the European Commission Regulations which are directly enforceable for all European Union member states (COMMISSION IMPLEMENTING REGULATION (EU) 2021/1847 of 14 October 2021 on the designation of a statutory replacement for certain settings of CHF LIBOR and COMMISSION IMPLEMENTING REGULATION (EU) 2021/1848 of 21 October 2021 on the designation of a replacement for the benchmark Euro overnight index average);
- participates in the working group related to benchmark reform impact in Romanian banking system, in order to introduce new clauses related to benchmark reform in the Romanian legislation.
- sent notifications to clients to inform on the new applicable interest rates
- established dedicated sections on web page to provide all the necessary information on the Benchmark reform and the new benchmark rates
- enabled technical implementation of the new rates in the banks' systems;
- changed the current rates on existing contracts with the new fallback rates starting with January 1st, 2022.

In the following period the Bank will analyse and amend the existing contracts tied to Libor USD.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

  Amendments to IFRS 16 "Leases" - Covid-19-Related Rent Concessions issued by IASB on 28 May 2020. The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

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

- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions beyond 30 June 2021 issued by IASB on 31 March 2021. Amendments extend by one year the application period of the practical expedient in IFRS 16. The relief was extended by one year to cover rent concessions that reduce only lease payments due on or before 30 June 2022.
- **Amendments to IFRS 17 "Insurance contracts"** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information issued by IASB on 9 December 2021. It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current issued by IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments to IAS 1 issued by IASB on 15 July 2020 defer the effective date by one year to annual periods beginning on or after 1 January 2023.

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies issued by IASB on 12 February 2021. Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Accounting Estimates issued by IASB on 12 February 2021. Amendments focus on accounting estimates and provide guidance how to distinguish between accounting policies and accounting estimates.

- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued by IASB on 6 May 2021. According to amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use issued by IASB on 14 May 2020. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract issued by IASB on 14 May 2020. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** issued by IASB on 14 May 2020. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording. The amendments: (a) clarify that subsidiary which applies paragraph D16(a) of IFRS 1 is permitted to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs (IFRS 1); (b) clarify which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf (IFRS 9); (c) removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example (Illustrative Example 13 accompanying IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique (IAS 41).

5. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note provides details of the Group's exposure to each of the above mentioned risks, as well as Group's policies and processes for measuring and managing risk.

The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and equity price risk.

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the risk management framework. Assets and Liabilities Committee ("ALCO"), Credit Risk Committee, Risk Management Committee and Problem Loan Committee are responsible for developing and monitoring Group's risk management policies in their specified areas.

All committees report regularly to the Management Board. The framework for risk management is defined in the risk strategy, elaborated and reviewed with annual frequency. The risk profile is also annually reviewed and comprises the evaluation of all risks considered significant. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and compliance with the approved limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. This process of risk management is critical to the Bank's continuing profitability and each employee within the Group is responsible for monitoring compliance with the Group's risk management procedures.

The Audit Committee reports to the Supervisory Board and has the responsibility to monitor the compliance with risk management procedures. Internal Audit assists the Audit Committee in these functions. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Stress Testing exercises are a common practice in the Group. Stress tests to be performed are either locally developed or developed and run at Raiffeisen Bank International Group level. The bank put in place a "Business stress testing concept paper" which establishes the steps, concepts, methodologies and timelines in stress testing process. All stress tests results are analyzed and reported to management.

5. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk

i) Credit risk management

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentration, and by monitoring exposures in relation to such limits. The Group is exposed to credit risk through its lending, trading and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties, or in the situation in which it conducts financial leasing operations, or it issues guarantees.

Credit risk associated with trading and investing activities is managed through the Group's credit risk management process. The risk is mitigated through selecting counterparties of good financial standings and monitoring their activities and through the use of credit limits and when appropriate, by obtaining collateral. The Group's primary exposure to credit risk arises through its loans and advances to customers as well as from conduction of activities related to concluding finance lease contracts. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Group is exposed to credit risk on various other financial assets, including derivative instruments and debt investments, the current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit and guarantees. In order to minimize this risk, Group procedures are in place to screen the customers before granting the loans and lease contracts and to monitor their ability to repay the principal and interest during the duration of the loans and lease contracts and to establish exposure limits.

The Management Board has delegated the responsibility for the credit risk management to the Credit Committee. A Risk Division, reporting to the Chief Risk Officer is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies, by pursuing the target of maintaining a healthy loan portfolio, by establishing adequate limits and defining specific lending criteria for certain products, clients categories etc.
- Establishing and implementing of procedures related to: the treatment and valuation of collaterals, periodical loan reviews, classification and loan portfolio reporting, legal documentation related to loans and lending activity, monitoring and treatment of nonperforming loans, ensuring compliance with the regulatory requirements.
- Establishing an authorization structure of approval and renewing of loan facilities: the authorization limits can be settled at the individual level of certain designated risk analysts or at the Credit Committee level or at the level of the approving entity designated at Group level. The authorization limits are stipulated in the Credit Committee and are established on different criteria like loan amount and compliance with the credit policies.
- Evaluation and review of the credit risk take place in accordance with the authorization limits set out in the Credit Committee as well as with the regulatory requirements.
- Limiting concentrations of exposure to counterparties, geographical areas, industries and by issuer, loan classification category, market liquidity and country (for investment securities). The concentration risk is monitored throughout the portfolio management activity. It is analyzed on a monthly basis through reports and presented to the personnel involved in the lending activity as well as to the management.
- Developing and maintaining the client classification systems depending on the risk grading. Unitary client classification systems are used at Group level depending on the client risk grading. These systems comprise both scoring and rating methodologies. The Group performs periodical reviews of the clients' classification systems. The risk grading measured through the above mentioned systems stands at the base of determining the loan loss provision necessary to cover the default risk.
- Reviewing and monitoring the compliance of business units with the limits established through the Credit Policies and internal norms.

5. FINANCIAL RISK MANAGEMENT (continued)

- Regular reports are provided to Credit Committee on loan portfolio quality and appropriate corrective actions are proposed and implemented.

- Providing information, advice, guidance and expertise to business units in order to promote credit risk management best practice throughout the Group.

The Group has implemented an Early Warning Signs, which is used for a monthly credit portfolio screening targeting identification of upcoming problematic exposures as early as possible. The system is based on triggers automatically detected for each client on monthly basis, but it is also based on ad-hoc manual input if adverse information is known.

The implementation of the credit policies and procedures is insured at the Group's level. Each branch is obliged to respect and implement the Group's loan policies and procedures. Each branch is responsible for the quality and performance of its credit portfolio. The Group has process of centralization of both credit approval and loan administration for companies and individuals, which leads to improved quality of the credit portfolio and better monitoring.

Internal Audit undertakes regular audits of branches/agencies and Group credit processes.

The major concentrations of credit risk arise by type of customer in relation to the Group's loans and advances and credit commitments. Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's loans and advances, commitments to extend credit and guarantees issued.

ii) Credit risk management

In the table below are presented the risk concentrations by product for retail customers and by economic sectors for non-retail customers. In the table are presented gross balance sheet exposures:

In RON thousand	Group 31 December 2021	Group 31 December 2020
Non-retail customers, of which:		
Corporate lending	8,767,663	7,087,325
Project finance	2,046,206	2,040,603
Financial institution non-bank	1,431,079	1,070,895
Small business (SMB)	1,831,721	1,670,643
Public sector	670,180	642,420
Sovereign	110,481	49,540
Retail customers, of which:		
Personal loan	7,556,323	6,796,329
Mortgage	7,558,505	6,510,501
Consumer loans guaranteed with mortgage	953,885	1,097,026
Credit Card	1,099,170	1,018,941
Overdraft	517,948	474,347
Investment financing	1,810,971	1,646,019
Total gross exposure	**34,354,132**	**30,104,589**
Impairment allowance	(1,381,020)	(1,331,529)
Total loans and advances to customers at amortised cost	**32,973,112**	**28,773,060**

5. FINANCIAL RISK MANAGEMENT (continued)

In the table below are presented the risk concentrations by product for retail customers and by economic sectors for non-retail customers. In the table are presented gross balance sheet exposures:

In RON thousand

	Bank 31 December 2021	Bank 31 December 2020
Non-retail customers, of which:		
Corporate lending	9,146,358	7,361,291
Project finance	2,046,206	2,040,603
Financial institution non-bank	1,431,079	1,060,565
Small business (SMB)	1,388,786	1,270,858
Public sector	670,180	642,420
Sovereign	110,481	49,540
Retail customers, of which:		
Personal loan	7,556,323	6,796,329
Mortgage	7,521,119	6,462,148
Consumer loans guaranteed with mortgage	953,885	1,097,026
Credit Card	1,099,170	1,018,941
Overdraft	517,948	474,347
Investment financing	1,397,983	1,231,490
Total gross exposure	**33,839,518**	**29,505,558**
Specific impairment allowance	(1,339,764)	(1,284,707)
Total loans and advances to customers at amortised cost	**32,499,754**	**28,220,851**

5. FINANCIAL RISK MANAGEMENT (continued)

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

Group

	31 December 2021				
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and advances to customers at amortised cost					
Non-retail:	**12,368,356**	**2,172,396**	**266,134**	**50,444**	**14,857,330**
Corporate lending	7,915,066	660,741	145,633	46,223	8,767,663
Project finance	1,003,517	974,487	68,202	-	2,046,206
Financial institution non-bank	1,416,926	12,612	1,541	-	1,431,079
Small and medium business	1,277,021	499,721	50,758	4,221	1,831,721
Public sector	645,345	24,835	-	-	670,180
Sovereign	110,481	-	-	-	110,481
Retail	**16,130,242**	**2,361,452**	**807,783**	**197,325**	**19,496,802**
Personal Loan	6,558,951	558,916	435,848	2,608	7,556,323
Mortgage	6,497,144	895,061	111,624	54,676	7,558,505
Micro	1,441,090	267,002	101,006	1,873	1,810,971
Consumer loans guaranteed with mortgage	412,449	284,808	129,807	126,821	953,885
Credit card	990,491	79,338	17,996	11,345	1,099,170
Overdraft	230,117	276,327	11,502	2	517,948
Total gross exposure	**28,498,598**	**4,533,848**	**1,073,917**	**247,769**	**34,354,132**
Impairment allowance	(209,492)	(311,798)	(777,272)	(82,458)	(1,381,020)
Net exposure	**28,289,106**	**4,222,050**	**296,645**	**165,311**	**32,973,112**

5. FINANCIAL RISK MANAGEMENT (continued)

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

Group

	31 December 2020				
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and advances to customers at amortised cost					
Non-retail:	**9,784,991**	**2,432,111**	**286,458**	**57,866**	**12,561,426**
Corporate lending	5,887,365	989,053	160,423	50,484	7,087,325
Project finance	1,057,261	915,149	68,193	-	2,040,603
Financial institution non-bank	1,062,540	6,835	1,520	-	1,070,895
Small and medium business	1,117,613	489,326	56,322	7,382	1,670,643
Public sector	611,988	30,432	-	-	642,420
Sovereign	48,224	1,316	-	-	49,540
Retail	**14,450,139**	**2,109,475**	**773,355**	**210,194**	**17,543,163**
Personal Loan	5,933,516	485,051	375,798	1,964	6,796,329
Mortgage	5,611,210	719,460	120,262	59,569	6,510,501
Micro	1,371,454	175,725	97,079	1,761	1,646,019
Consumer loans guaranteed with mortgage	455,457	347,791	153,870	139,908	1,097,026
Credit card	890,346	104,142	16,885	7,568	1,018,941
Overdraft	188,156	277,306	9,461	(576)	474,347
Total gross exposure	**24,235,130**	**4,541,586**	**1,059,813**	268,060	**30,104,589**
Impairment allowance	(186,883)	(296,985)	(761,712)	(85,949)	(1,331,529)
Net exposure	**24,048,247**	**4,244,601**	**298,101**	**182,111**	**28,773,060**

5. FINANCIAL RISK MANAGEMENT (continued)

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

Bank

	31 December 2021				
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and advances to customers at amortised cost					
Non-retail:	**12,529,976**	**1,966,729**	**245,941**	**50,444**	**14,793,090**
Corporate lending	8,324,457	640,487	135,191	46,223	9,146,358
Project finance	1,003,517	974,487	68,202	-	2,046,206
Financial institution non-bank	1,416,926	12,612	1,541	-	1,431,079
Small and medium business	1,029,250	314,308	41,007	4,221	1,388,786
Public sector	645,345	24,835	-	-	670,180
Sovereign	110,481	-	-	-	110,481
Retail	**15,756,904**	**2,307,299**	**784,900**	**197,325**	**19,046,428**
Personal Loans	6,558,951	558,916	435,848	2,608	7,556,323
Mortgage	6,461,166	894,656	110,621	54,676	7,521,119
Micro	1,103,730	213,254	79,126	1,873	1,397,983
Consumer loan guaranteed with mortgage	412,449	284,808	129,807	126,821	953,885
Credit card	990,491	79,338	17,996	11,345	1,099,170
Overdraft	230,117	276,327	11,502	2	517,948
Total gross exposure	**28,286,880**	**4,274,028**	**1,030,841**	**247,769**	**33,839,518**
Impairment allowance	(206,002)	(302,415)	(748,889)	(82,458)	(1,339,764)
Net exposure	**28,080,878**	**3,971,613**	**281,952**	**165,311**	**32,499,754**

5. FINANCIAL RISK MANAGEMENT (continued)

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

Bank

	31 December 2020				
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and advances to customers at amortised cost					
Non-retail:	**9,817,307**	**2,281,947**	**268,157**	**57,866**	**12,425,277**
Corporate lending	6,188,518	969,820	152,469	50,484	7,361,291
Project finance	1,057,261	915,149	68,193	-	2,040,603
Financial institution non-bank	1,052,210	6,835	1,520	-	1,060,565
Small and medium business	859,106	358,395	45,975	7,382	1,270,858
Public sector	611,988	30,432	-	-	642,420
Sovereign	48,224	1,316	-	-	49,540
Retail	**14,058,484**	**2,069,454**	**742,149**	**210,194**	**17,080,281**
Personal Loans	5,933,516	485,051	375,798	1,964	6,796,329
Mortgage	5,565,097	718,775	118,707	59,569	6,462,148
Micro	1,025,912	136,389	67,428	1,761	1,231,490
Consumer loan guaranteed with mortgage	455,457	347,791	153,870	139,908	1,097,026
Credit card	890,346	104,142	16,885	7,568	1,018,941
Overdraft	188,156	277,306	9,461	(576)	474,347
Total gross exposure	**23,875,791**	**4,351,401**	**1,010,306**	**268,060**	**29,505,558**
Impairment allowance	(181,984)	(294,414)	(722,360)	(85,949)	(1,284,707)
Net exposure	**23,693,807**	**4,056,987**	**287,946**	**182,111**	**28,220,851**

5. FINANCIAL RISK MANAGEMENT (continued)

The tables below present the split of loans and advances to retail customers by credit quality. The internal rating grade presented is further explained below within *Note 5*, within the Group's internal credit rating grades tables.

Group
In RON thousand

			31 December 2021		
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Minimal Risk	2,899,858	105,085	-	2,001	3,006,944
Excellent Credit Standing	178,536	17,007	-	40	195,583
Very Good Credit Standing	5,213,798	578,758	-	37,493	5,830,049
Good Credit Standing	3,167,307	251,664	-	2,030	3,421,001
Sound Credit Standing	2,780,136	435,446	-	43,179	3,258,761
Acceptable Credit Standing	882,021	205,144	-	351	1,087,516
Marginal Credit Standing	449,068	331,690	-	32,247	813,005
Weak Credit Standing	77,544	207,989	-	9,885	295,418
Very Weak Credit Standing	5,095	121,430	-	7,612	134,137
Default	-	-	806,780	62,412	869,192
Not Rated	476,879	107,239	1,003	75	585,196
Total	**16,130,242**	**2,361,452**	**807,783**	**197,325**	**19,496,802**

Group
In RON thousand

			31 December 2020		
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Minimal Risk	2,128,136	62,396	-	1,576	2,192,108
Excellent Credit Standing	182,051	10,355	-	25	192,431
Very Good Credit Standing	4,991,253	352,663	-	23,795	5,367,711
Good Credit Standing	2,636,713	125,362	-	338	2,762,413
Sound Credit Standing	2,424,153	283,918	-	31,736	2,739,807
Acceptable Credit Standing	1,096,345	456,125	-	41,629	1,594,099
Marginal Credit Standing	437,891	371,282	-	35,908	845,081
Weak Credit Standing	83,950	147,493	-	81	231,524
Very Weak Credit Standing	8,997	224,493	-	7,376	240,866
Default	-	-	771,800	67,562	839,362
Not Rated	460,650	75,388	1,555	168	537,761
Total	**14,450,139**	**2,109,475**	**773,355**	**210,194**	**17,543,163**

In "Not Rated" category are also included retail exposures of subsidiaries for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, general IFRS 9 impairment rules apply, as described *in Note 3 (ix) Identification and measurement of impairment.*

5. FINANCIAL RISK MANAGEMENT (continued)

The tables below present the split of loans and advances to retail customers by credit quality. The internal rating grade presented is further explained below within *Note 5*, within the Group's internal credit rating grades tables.

Bank
In RON thousand

	31 December 2021				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Minimal Risk	2,899,858	105,085	-	2,001	3,006,944
Excellent Credit Standing	178,536	17,007	-	40	195,583
Very Good Credit Standing	5,213,798	578,758	-	37,493	5,830,049
Good Credit Standing	3,166,819	251,507	-	2,030	3,420,356
Sound Credit Standing	2,780,136	435,446	-	43,179	3,258,761
Acceptable Credit Standing	882,021	205,144	-	351	1,087,516
Marginal Credit Standing	449,068	331,690	-	32,247	813,005
Weak Credit Standing	77,544	207,989	-	9,885	295,418
Very Weak Credit Standing	5,095	121,430	-	7,612	134,137
Default	-	-	784,900	62,412	847,312
Not Rated	104,029	53,243	-	75	157,347
Total	**15,756,904**	**2,307,299**	**784,900**	**197,325**	**19,046,428**

Bank
In RON thousand

	31 December 2020				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Minimal Risk	2,128,136	62,396	-	1,576	2,192,108
Excellent Credit Standing	182,051	10,355	-	25	192,431
Very Good Credit Standing	4,991,253	352,663	-	23,795	5,367,711
Good Credit Standing	2,635,225	125,205	-	338	2,760,768
Sound Credit Standing	2,424,153	283,918	-	31,736	2,739,807
Acceptable Credit Standing	1,096,345	456,125	-	41,629	1,594,099
Marginal Credit Standing	437,891	371,282	-	35,908	845,081
Weak Credit Standing	83,483	147,493	-	81	231,057
Very Weak Credit Standing	8,997	224,494	-	7,376	240,867
Default	-	-	742,149	67,562	809,711
Not Rated	70,950	35,523	-	168	106,641
Total	**14,058,484**	**2,069,454**	**742,149**	**210,194**	**17,080,281**

In "Not Rated" category are also included retail exposures of subsidiaries for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, general IFRS 9 impairment rules apply, as described in *Note 3 (ix) Identification and measurement of impairment.*

5. FINANCIAL RISK MANAGEMENT (continued)

The tables below present the split of loans and advances to non - retail customers by credit quality. The internal rating grade presented is further explained below within *Note 5*, within the Group's internal credit rating grades tables.

Group
In RON thousand

			31 December 2021		
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Excellent	29,568	3,901	-	-	33,469
Strong	2,077,098	52,968	-	-	2,130,066
Good	6,894,795	843,198	-	-	7,737,993
Satisfactory	3,328,809	1,097,171	-	-	4,425,980
Substandard	6,041	163,077	-	-	169,118
Impaired	-	-	264,463	50,444	314,907
Unrated	32,045	12,081	1,671	-	45,797
Total	**12,368,356**	**2,172,396**	**266,134**	**50,444**	**14,857,330**

Group
In RON thousand

			31 December 2020		
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Excellent	12,003	1,507	-	-	13,510
Strong	413,175	13,543	174	-	426,892
Good	5,156,406	492,165	-	-	5,648,571
Satisfactory	4,184,429	1,726,834	-	-	5,911,263
Substandard	4,819	169,767	2,530	-	177,116
Impaired	324	-	263,725	57,866	321,915
Unrated	13,835	28,295	20,029	-	62,159
Total	**9,784,991**	**2,432,111**	**286,458**	**57,866**	**12,561,426**

Bank
In RON thousand

			31 December 2021		
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Excellent	25,854	1,135	-	-	26,989
Strong	2,063,258	27,560	-	-	2,090,818
Good	6,686,800	794,844	-	-	7,481,644
Satisfactory	3,717,981	982,044	-	-	4,700,025
Substandard	5,227	156,846	-	-	162,073
Impaired	-	-	244,270	50,444	294,714
Unrated	30,856	4,300	1,671	-	36,827
Total	**12,529,976**	**1,966,729**	**245,941**	**50,444**	**14,793,090**

Bank
In RON thousand

			31 December 2020		
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Excellent	11,832	1,489	-	-	13,321
Strong	873,167	7,276	174	-	880,617
Good	4,969,803	472,123	-	-	5,441,926
Satisfactory	3,954,739	1,645,231	-	-	5,599,970
Substandard	3,937	139,859	2,530	-	146,326
Impaired	324	-	263,725	57,866	321,915
Unrated	3,505	15,969	1,728	-	21,202
Total	**9,817,307**	**2,281,947**	**268,157**	**57,866**	**12,425,277**

5. FINANCIAL RISK MANAGEMENT (continued)

At Group level, loans and advances to banks in amount of RON 1,518,422 thousand (31 December 2020: RON 972,059 thousand) are all classified in Stage 1.

At Bank level, loans and advances to banks in amount of RON 1,504,874 thousand (31 December 2020: RON 971,166 thousand), are all classified in Stage 1.

Loans and advances to banks as of 31 December, 2021 mainly represent reverse repo transactions, term deposits and collateral deposits in correspondent bank accounts and collateral deposits. Nostro accounts are always available to the Group, are not restricted, not overdue or impaired. Bank counterparties are financial institutions presenting strong financial strength.

For corporate entities, small and medium entities, financial institutions, local and central public authorities customers, the Group uses rating scales associated with the financial performance, both for the individually and for the collectively impaired loans and advances. In accordance with the Group's policies and procedures, a rating can be associated for each category of risk, from the lowest risk considered (Rating 1) to defaulted loans category (Rating 10). In the case of private individuals and micro exposures, the credit risk is assessed based on advanced internal model rating approach. The Bank assigns ratings to customers at facility level for private individuals and at customer level for micro. After the calibration process a probability of default is assigned to rating classes associated.

5. FINANCIAL RISK MANAGEMENT (continued)

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

	31 December 2021					
Group *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Used collateral**	**Net exposure**	**Associated ECLs**
Non-retail						
Corporate lending	8,767,663	1,952,571	(486,206)	1,466,365	7,301,298	244,453
Project finance	2,046,206	2,248,791	(435,556)	1,813,235	232,971	106,749
Financial institution non-bank	1,431,079	-	-	-	1,431,079	7,413
Small and medium business	1,831,721	574,621	(221,879)	352,742	1,478,979	76,044
Public sector	670,180	-	-	-	670,180	188
Sovereign	110,481	-	-	-	110,481	6
Total Non-retail	**14,857,330**	**4,775,983**	**(1,143,641)**	**3,632,342**	**11,224,988**	**434,853**
Retail						
Personal loans	7,556,323	1,742	(1,522)	220	7,556,103	463,652
Mortgage	7,558,505	6,683,128	(1,208,431)	5,474,697	2,083,808	185,592
Micro	1,810,971	484,808	(245,924)	238,884	1,572,087	99,744
Consumer loan guaranteed with mortgage	953,885	1,312,414	(591,445)	720,969	232,916	143,486
Credit card	1,099,170	-	-	-	1,099,170	25,908
Overdraft	517,948	-	-	-	517,948	27,785
Total Retail	**19,496,802**	**8,482,092**	**(2,047,322)**	**6,434,770**	**13,062,032**	**946,167**
Financial assets at fair value through profit or loss	**229,526**	**234,450**	**(65,200)**	**169,250**	**60,276**	**15,154**

5. FINANCIAL RISK MANAGEMENT (continued)

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

	31 December 2020					
Group *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Used collateral**	**Net exposure**	**Associated ECLs**
Non-retail						
Corporate lending	7,087,325	2,111,064	(527,962)	1,583,102	5,504,223	243,053
Project finance	2,040,603	2,028,372	(431,988)	1,596,384	444,219	100,610
Financial institution non-bank	1,070,895	-	-	-	1,070,895	2,216
Small and medium business	1,670,643	645,881	(234,710)	411,171	1,259,472	64,289
Public sector	642,420	-	-	-	642,420	2,597
Sovereign	49,540	-	-	-	49,540	20
Total Non-retail	**12,561,426**	**4,785,317**	**(1,194,660)**	**3,590,657**	**8,970,769**	**412,785**
Retail						
Personal loans	6,796,329	822	(1,345)	(523)	6,796,852	442,034
Mortgage	6,510,501	5,545,204	(972,598)	4,572,606	1,937,895	180,238
Micro	1,646,019	535,674	(244,384)	291,290	1,354,729	87,822
Consumer loan guaranteed with mortgage	1,097,026	1,420,512	(609,545)	810,967	286,059	161,029
Credit card	1,018,941	-	(110)	(110)	1,019,051	22,339
Overdraft	474,347	-	(4,298)	(4,298)	478,645	25,281
Total Retail	**17,543,163**	**7,502,212**	**(1,832,280)**	**5,669,932**	**11,873,231**	**918,743**
Financial assets at fair value through profit or loss	**370,319**	**273,795**	**(63,278)**	**210,517**	**159,802**	**16,168**

5. FINANCIAL RISK MANAGEMENT (continued)

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

	31 December 2021					
Bank *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Used collateral**	**Net exposure**	**Associated ECLs**
Non-retail						
Corporate lending	9,146,358	1,907,772	(486,206)	1,421,566	7,724,792	213,348
Project finance	2,046,206	2,248,791	(435,556)	1,813,235	232,971	106,749
Financial institution non-bank	1,431,079	-	-	-	1,431,079	7,413
Small and medium business	1,388,786	559,054	(221,879)	337,175	1,051,611	66,948
Public sector	670,180	-	-	-	670,180	188
Sovereign	110,481	-	-	-	110,481	6
Total Non-retail	**14,793,090**	**4,715,617**	**(1,143,641)**	**3,571,976**	**11,221,114**	**394,652**
Retail						
Personal loans	7,556,323	1,742	(1,522)	220	7,556,103	463,652
Mortgage	7,521,119	6,556,763	(1,106,785)	5,449,978	2,071,141	184,537
Micro	953,885	484,808	(245,924)	238,884	715,001	99,744
Consumer loan guaranteed with mortgage	1,099,170	1,312,414	(591,445)	720,969	378,201	143,486
Credit card	517,948	-	-	-	517,948	25,908
Overdraft	1,397,983	-	-	-	1,397,983	27,785
Total Retail	**19,046,428**	**8,355,727**	**(1,945,676)**	**6,410,051**	**12,636,377**	**945,112**
Financial assets at fair value through profit or loss	**229,526**	**234,450**	**(65,200)**	**169,250**	**60,276**	**15,154**

5. FINANCIAL RISK MANAGEMENT (continued)

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

	31 December 2020					
Bank *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Used collateral**	**Net exposure**	**Associated ECLs**
Non-retail						
Corporate lending	7,361,291	2,063,044	(527,962)	1,535,082	5,826,209	230,249
Project finance	2,040,603	2,028,372	(431,988)	1,596,384	444,219	100,610
Financial institution non-bank	1,060,565	-	-	-	1,060,565	2,216
Small and medium business	1,270,858	628,032	(234,710)	393,322	877,536	54,837
Public sector	642,420	-	-	-	642,420	2,597
Sovereign	49,540	-	-	-	49,540	20
Total Non-retail	**12,425,277**	**4,719,448**	**(1,194,660)**	**3,524,788**	**8,900,489**	**390,529**
Retail						
Personal loans	6,796,329	822	(1,345)	(523)	6,796,852	442,034
Mortgage	6,462,148	5,404,190	(863,765)	4,540,425	1,921,723	178,230
Micro	1,231,490	535,674	(244,384)	291,290	940,200	65,265
Consumer loan guaranteed with mortgage	1,097,026	1,420,512	(609,545)	810,967	286,059	161,029
Credit card	1,018,941	-	(110)	(110)	1,019,051	22,339
Overdraft	474,347	-	(4,298)	(4,298)	478,645	25,281
Total Retail	**17,080,281**	**7,361,198**	**(1,723,447)**	**5,637,751**	**11,442,530**	**894,178**
Financial assets at fair value through profit or loss	**370,319**	**273,795**	**(63,278)**	**210,517**	**159,802**	**16,168**

5. FINANCIAL RISK MANAGEMENT (continued)

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

	31 December 2021					
Group *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Used collateral**	**Net exposure**	**Associated ECLs**
Non-retail						
Corporate lending	191,856	39,807	(5,607)	34,200	157,656	117,563
Project finance	68,202	15,673	-	15,673	52,529	51,078
Financial institution non-bank	1,541	-	-	-	1,541	1,541
Small and medium business	54,979	13,096	(1,384)	11,712	43,267	34,764
Public sector	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-
Total Non-retail	**316,578**	**68,576**	**(6,991)**	**61,585**	**254,993**	**204,946**
Retail						
Personal loans	436,876	258	(256)	2	436,874	352,057
Mortgage	126,508	106,480	(23,889)	82,591	43,917	80,772
Micro	102,712	38,181	(23,400)	14,781	87,931	76,635
Consumer loan guaranteed with mortgage	164,708	171,854	(64,474)	107,380	57,328	109,358
Credit card	27,889	-	-	-	27,889	19,029
Overdraft	11,502	-	-	-	11,502	12,282
Total Retail	**870,195**	**316,773**	**(112,019)**	**204,754**	**665,441**	**650,133**

5. FINANCIAL RISK MANAGEMENT (continued)

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

	31 December 2020					
Group *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Used collateral**	**Net exposure**	**Associated ECLs**
Non-retail						
Corporate lending	210,907	43,757	(5,607)	38,150	172,757	133,349
Project finance	68,193	10,916	-	10,916	57,277	47,861
Financial institution non-bank	1,520	-	-	-	1,520	1,517
Small and medium business	63,704	19,699	(4,323)	15,376	48,328	41,277
Public sector	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-
Total Non-retail	**344,324**	**74,372**	**(9,930)**	**64,442**	**279,882**	**224,004**
Retail						
Personal loans	376,729	246	(238)	8	376,721	316,185
Mortgage	136,476	108,270	(21,472)	86,798	49,678	85,484
Micro	98,707	35,846	(21,009)	14,837	83,870	57,353
Consumer loan guaranteed with mortgage	196,506	190,732	(64,086)	126,646	69,860	133,889
Credit card	23,628	-	-	-	23,628	14,698
Overdraft	8,871	-	(4,298)	(4,298)	13,169	11,215
Total Retail	**840,917**	**335,094**	**(111,103)**	**223,991**	**616,926**	**618,824**

5. FINANCIAL RISK MANAGEMENT (continued)

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

	31 December 2021					
Bank *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Used collateral**	**Net exposure**	**Associated ECLs**
Non-retail						
Corporate lending	181,414	39,807	(5,607)	34,200	147,214	108,467
Project finance	68,202	15,673	-	15,673	52,529	51,078
Financial institution non-bank	1,541	-	-	-	1,541	1,541
Small and medium business	45,228	13,096	(1,384)	11,712	33,516	29,070
Public sector	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-
Total Non-retail	**296,385**	**68,576**	**(6,991)**	**61,585**	**234,800**	**190,156**
Retail						
Personal loans	436,876	258	(256)	2	436,874	352,056
Mortgage	125,505	106,480	(23,889)	82,591	42,914	79,957
Micro	80,832	38,181	(23,400)	14,781	66,051	63,858
Consumer loan guaranteed with mortgage	164,708	171,854	(64,474)	107,380	57,328	109,358
Credit card	27,889	-	-	-	27,889	19,029
Overdraft	11,502	-	-	-	11,502	12,282
Total Retail	**847,312**	**316,773**	**(112,019)**	**204,754**	**642,558**	**636,540**

5. FINANCIAL RISK MANAGEMENT (continued)

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

	31 December 2020					
Bank *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Used collateral**	**Net exposure**	**Associated ECLs**
Non-retail						
Corporate lending	202,953	43,757	(5,607)	38,150	164,803	119,347
Project finance	68,193	10,916	-	10,916	57,277	47,861
Financial institution non-bank	1,520	-	-	-	1,520	1,517
Small and medium business	53,357	19,699	(4,323)	15,376	37,981	33,384
Public sector	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-
Total Non-retail	**326,023**	**74,372**	**(9,930)**	**64,442**	**261,581**	**202,109**
Retail						
Personal loans	376,729	246	(238)	8	376,721	316,185
Mortgage	134,921	108,270	(21,472)	86,798	48,123	83,889
Micro	69,056	35,846	(21,009)	14,837	54,219	57,353
Consumer loan guaranteed with mortgage	196,506	190,732	(64,086)	126,646	69,860	118,027
Credit card	23,628	-	-	-	23,628	14,698
Overdraft	8,871	-	(4,298)	(4,298)	13,169	11,215
Total Retail	**809,711**	**335,094**	**(111,103)**	**223,991**	**585,720**	**601,367**

5. FINANCIAL RISK MANAGEMENT (continued)

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

	31 December 2021					
Group *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Used collateral**	**Net exposure**	**Associated ECL**
Non-retail						
Financial guarantees given	3,561,835	233,406	(106,975)	126,431	3,435,404	38,386
Loan commitments given	9,612,097	169,316	(18,440)	150,876	9,461,221	21,064
Total Non-retail	**13,173,932**	**402,722**	**(125,415)**	**277,307**	**12,896,625**	**59,450**
Retail						
Financial guarantees given	18,606	9,225	(2,640)	6,585	12,021	22
Loan commitments given	3,783,739	18,880	(6,946)	11,934	3,771,805	17,053
Total Retail	**3,802,345**	**28,105**	**(9,586)**	**18,519**	**3,783,826**	**17,075**

	31 December 2020					
Group *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Used collateral**	**Net exposure**	**Associated ECL**
Non-retail						
Financial guarantees given	2,746,123	220,363	(67,839)	152,524	2,593,599	46,995
Loan commitments given	7,717,110	111,613	(10,260)	101,353	7,615,757	39,613
Total Non-retail	**10,463,233**	**331,976**	**(78,099)**	**253,877**	**10,209,356**	**86,608**
Retail						
Financial guarantees given	20,202	11,326	(3,409)	7,917	12,285	125
Loan commitments given	3,440,021	20,553	(8,555)	11,998	3,428,023	15,788
Total Retail	**3,460,223**	**31,879**	**(11,964)**	**19,915**	**3,440,308**	**15,913**

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

5. FINANCIAL RISK MANAGEMENT (continued)

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

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

	31 December 2020					
Group *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Used collateral**	**Net exposure**	**Associated ECL**
Non-retail						
Financial guarantees given	108,267	7,179	(288)	6,891	101,376	41,937
Loan commitments given	24,145	1,037	-	1,037	23,108	7,418
Total Non-retail	**132,412**	**8,216**	**(288)**	**7,928**	**124,484**	**49,355**
Retail						
Financial guarantees given	142	279	(138)	141	1	105
Loan commitments given	12,948	-	(182)	(182)	13,130	9,317
Total Retail	**13,090**	**279**	**(320)**	**(41)**	**13,131**	**9,422**

5. FINANCIAL RISK MANAGEMENT (continued)

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

	31 December 2021					
Bank *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Used collateral**	**Net exposure**	**Associated ECL**
Non-retail						
Financial guarantees given	3,561,857	233,406	(106,975)	126,431	3,435,426	38,386
Loan commitments given	9,562,697	169,316	(18,440)	150,876	9,411,821	21,064
Total Non-retail	**13,124,554**	**402,722**	**(125,415)**	**277,307**	**12,847,247**	**59,450**
Retail						
Financial guarantees given	18,606	9,225	(2,640)	6,585	12,021	22
Loan commitments given	3,993,169	18,880	(6,946)	11,934	3,981,235	17,053
Total Retail	**4,011,775**	**28,105**	**(9,586)**	**18,519**	**3,993,256**	**17,075**

	31 December 2020					
Bank *In RON thousand*	**Maxim exposure to credit risk**	**Fair value of collateral**	**Surplus of collateral**	**Used collateral**	**Net exposure**	**Associated ECL**
Non-retail						
Financial guarantees given	2,746,123	220,363	(67,839)	152,524	2,593,599	46,995
Loan commitments given	7,681,422	111,613	(10,260)	101,353	7,580,069	39,613
Total Non-retail	**10,427,545**	**331,976**	**(78,099)**	**253,877**	**10,173,668**	**86,608**
Retail						
Financial guarantees given	20,202	11,326	(3,409)	7,917	12,285	125
Loan commitments given	3,429,963	20,553	(8,555)	11,998	3,417,965	15,788
Total Retail	**3,450,165**	**31,879**	**(11,964)**	**19,915**	**3,430,250**	**15,913**

5. FINANCIAL RISK MANAGEMENT (continued)

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

Bank *In RON thousand*	31 December 2021 Maxim exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	79,654	3,550	-	3,550	76,104	36,028
Loan commitments given	33,736	2,932	-	2,932	30,804	11,546
Total Non-retail	**113,390**	**6,482**	**-**	**6,482**	**106,908**	**47,574**
Retail						
Financial guarantees given	-	-	-	-	-	-
Loan commitments given	15,001	-	-	-	15,001	9,598
Total Retail	**15,001**	**-**	**-**	**-**	**15,001**	**9,598**

Bank *In RON thousand*	31 December 2020 Maxim exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	108,267	7,179	(288)	6,891	101,376	41,937
Loan commitments given	23,584	1,037	-	1,037	22,547	7,418
Total Non-retail	**131,851**	**8,216**	**(288)**	**7,928**	**123,923**	**49,355**
Retail						
Financial guarantees given	142	279	(138)	141	1	105
Loan commitments given	12,948	-	(182)	(182)	13,130	9,317
Total Retail	**13,090**	**279**	**(320)**	**(41)**	**13,131**	**9,422**

5. FINANCIAL RISK MANAGEMENT (continued)

The Group holds collateral against loans and advances to customers in the form of pledge over cash deposits, mortgage interests over property, guarantees and other pledge over equipments and/or receivable. The value of the mortgage collaterals executed by the Group as a result of the enforcement at December 31, 2021 was RON 47,000 thousand (December 31, 2020: RON 29,867 thousand).

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

Past due status

For loans and securities, where contractual interest or principal payments are past due the Group believes that impairment is not appropriate due to the fact that there are no objective evidence for impairment or there are objective evidence of impairment but there is no identified loss at the level of these customers.

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

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

Bank	**Stage1**			**Stage 2**			**Stage 3**			**POCI**		
In RON thousands	**<=30 days**	**31-90 days**	**>90 days**	**<=30 days**	**31-90 days**	**>90 days**	**<=30 days**	**31-90 days**	**>90 days**	**<=30 days**	**31-90 days**	**>90 days**
Retail customers	542,696	11,990	216	361,961	64,963	7,243	23,622	34,189	81,046	18,324	6,045	8,580
Non-retail customers	348,516	18	170	218,424	559	23	5,215	988	36,375	116	212	8,212
Total	**891,212**	**12,008**	**386**	**580,385**	**65,522**	**7,266**	**28,837**	**35,177**	**117,421**	**18,440**	**6,257**	**16,792**

5. FINANCIAL RISK MANAGEMENT (continued)

Loans and advances to customers past due of December 31, 2020 were as follows:

Group	Stage 1			Stage 2			Stage 3		
In RON thousands	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days
Retail customers	437,109	-	-	339,711	58,559	-	32,235	38,527	141,617
Non-retail customers	252,599	-	-	95,517	-1,935	-	8,292	(6,015)	7,614
Total	**689,708**	**-**	**-**	**435,228**	**56,624**	**-**	**40,527**	**32,512**	**149,231**

Bank	Stage1			Stage 2			Stage 3		
In RON thousands	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days
Retail customers	434,688	-	-	339,428	58,437	-	31,594	38,520	141,162
Non-retail customers	246,884	-	-	94,208	(4,477)	-	(237)	(7,019)	1,677
Total	**681,572**	**-**	**-**	**433,636**	**53,960**	**-**	**31,357**	**31,501**	**142,839**

5. FINANCIAL RISK MANAGEMENT (continued)

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

Group
In RON thousand

	31 December 2021				
Non retail	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
A. Agriculture, forestry and fishing	782,535	183,143	8,952	3,327	977,957
B. Mining and quarrying	66,069	738	451	-	67,258
C. Manufacturing	2,116,166	250,797	63,140	6,630	2,436,733
D. Electricity, gas, steam and air conditioning supply	372,072	1,443	6,532	-	380,047
E. Water supply	93,516	49,865	18	-	143,399
F. Construction	577,307	317,815	27,670	6,698	929,490
G. Wholesale and retail trade	3,834,478	192,025	54,025	2,986	4,083,514
H. Transport and storage services	732,608	250,075	13,086	149	995,918
I. Accommodation and restaurant services	35,493	277,080	12,478	-	325,051
J. Information and communications	91,901	2,108	4,356	30,654	129,019
K. Financial and insurance activities	1,045,019	12,612	3	-	1,057,634
L. Real estate activities	1,204,609	313,913	61,691	-	1,580,213
M. Professional, scientific and technical activities	78,327	241,073	1,817	-	321,217
N. Administrative and support service activities	180,270	23,685	1,331	-	205,286
O. Public administration and defense, compulsory social security	716,862	24,879	-	-	741,741
P. Education	39,220	340	1	-	39,561
Q. Human health services and social work activities	278,476	15,718	3,112	-	297,306
R. Arts, entertainment and recreation	11,567	637	2,318	-	14,522
S. Other services	111,861	14,450	5,153	-	131,464
TOTAL	**12,368,356**	**2,172,396**	**266,134**	**50,444**	**14,857,330**

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5. FINANCIAL RISK MANAGEMENT (continued)

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

Group
In RON thousand

	31 December 2020				
Non retail	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
A. Agriculture, forestry and fishing	670,608	99,331	9,926	3,052	782,917
B. Mining and quarrying	39,017	2,538	446	-	42,001
C. Manufacturing	1,725,992	307,624	80,671	6,885	2,121,172
D. Electricity, gas, steam and air conditioning supply	47,948	41,673	6,189	-	95,810
E. Water supply	142,034	5,213	28	-	147,275
F. Construction	662,079	347,181	48,186	7,209	1,064,655
G. Wholesale and retail trade	2,830,866	424,525	45,693	7,893	3,308,977
H. Transport and storage services	722,338	288,876	14,692	2,102	1,028,008
I. Accommodation and restaurant services	25,426	306,362	1,319	-	333,107
J. Information and communications	93,936	2,570	4,362	30,725	131,593
K. Financial and insurance activities	560,527	6,835	3	-	567,365
L. Real estate activities	1,051,131	273,770	62,856	-	1,387,757
M. Professional, scientific and technical activities	82,434	208,796	1,230	-	292,460
N. Administrative and support service activities	105,406	41,828	2,317	-	149,551
O. Public administration and defense, compulsory social security	616,930	32,014	-	-	648,944
P. Education	45,917	229	2	-	46,148
Q. Human health services and social work activities	361,982	21,345	3,110	-	386,437
R. Arts, entertainment and recreation	5,332	2,607	2,319	-	10,258
S. Other services	(4,912)	18,794	3,109	-	16,991
TOTAL	**9,784,991**	**2,432,111**	**286,458**	**57,866**	**12,561,426**

5. FINANCIAL RISK MANAGEMENT (continued)

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

Bank
In RON thousand

	31 December 2021				
Non retail	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
A. Agriculture, forestry and fishing	767,230	177,024	8,914	3,327	956,495
B. Mining and quarrying	62,689	649	235	-	63,573
C. Manufacturing	2,038,892	222,423	54,462	6,630	2,322,407
D. Electricity, gas, steam and air conditioning supply	371,829	1,443	6,532	-	379,804
E. Water supply	66,524	46,287	18	-	112,829
F. Construction	510,745	301,048	27,228	6,698	845,719
G. Wholesale and retail trade	3,731,029	141,944	51,416	2,986	3,927,375
H. Transport and storage services	613,943	197,292	9,147	149	820,531
I. Accommodation and restaurant services	35,004	248,574	12,478	-	296,056
J. Information and communications	86,943	1,536	3,213	30,654	122,346
K. Financial and insurance activities	1,642,953	12,612	3	-	1,655,568
L. Real estate activities	1,202,915	313,896	61,691	-	1,578,502
M. Professional, scientific and technical activities	74,821	235,730	1,817	-	312,368
N. Administrative and support service activities	174,711	20,712	1,316	-	196,739
O. Public administration and defense, compulsory social security	716,593	24,835	-	-	741,428
P. Education	39,220	281	1	-	39,502
Q. Human health services and social work activities	273,211	8,213	1	-	281,425
R. Arts, entertainment and recreation	10,936	22	2,318	-	13,276
S. Other services	109,788	12,208	5,151	-	127,147
TOTAL	**12,529,976**	**1,966,729**	**245,941**	**50,444**	**14,793,090**

5. FINANCIAL RISK MANAGEMENT (continued)

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

Bank
In RON thousand

	31 December 2020				
Non retail	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
A. Agriculture, forestry and fishing	659,697	94,997	9,853	3,052	767,599
B. Mining and quarrying	33,160	1,717	232	-	35,109
C. Manufacturing	1,653,048	286,995	74,506	6,885	2,021,434
D. Electricity, gas, steam and air conditioning supply	47,619	41,673	6,189	-	95,481
E. Water supply	117,992	1,718	28	-	119,738
F. Construction	610,722	336,172	47,629	7,209	1,001,732
G. Wholesale and retail trade	2,710,417	400,634	43,159	7,893	3,162,103
H. Transport and storage services	595,685	247,560	11,067	2,102	856,414
I. Accommodation and restaurant services	24,274	277,724	1,319	-	303,317
J. Information and communications	86,350	2,539	3,218	30,725	122,832
K. Financial and insurance activities	1,037,723	6,835	3	-	1,044,561
L. Real estate activities	1,049,832	273,191	62,037	-	1,385,060
M. Professional, scientific and technical activities	79,937	201,784	1,230	-	282,951
N. Administrative and support service activities	102,204	37,322	2,256	-	141,782
O. Public administration and defense, compulsory social security	616,905	31,576	-	-	648,481
P. Education	45,833	229	2	-	46,064
Q. Human health services and social work activities	348,657	19,590	1	-	368,248
R. Arts, entertainment and recreation	4,857	1,022	2,319	-	8,198
S. Other services	(7,605)	18,669	3,109	-	14,173
TOTAL	**9,817,307**	**2,281,947**	**268,157**	**57,866**	**12,425,277**

5. FINANCIAL RISK MANAGEMENT (continued)

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

Group
In RON thousand

	31 December 2021				
Retail	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
A. Agriculture, forestry and fishing	182,269	69,063	5,588	11	256,931
B. Mining and quarrying	2,393	438	126	-	2,957
C. Manufacturing	147,887	25,492	10,009	115	183,503
D. Electricity, gas, steam and air conditioning supply	477	2	33	-	512
E. Water supply	9,268	619	1,373	5	11,265
F. Construction	160,455	20,784	15,173	115	196,527
G. Wholesale and retail trade	407,791	47,910	27,740	847	484,288
H. Transport and storage services	216,999	41,290	24,628	131	283,048
I. Accommodation and restaurant services	36,452	14,049	1,960	45	52,506
J. Information and communications	39,988	4,192	2,597	76	46,853
K. Financial and insurance activities	669	78	109	-	856
L. Real estate activities	9,056	1,260	531	-	10,847
M. Professional, scientific and technical activities	109,950	17,385	3,744	171	131,250
N. Administrative and support service activities	45,647	9,096	4,364	278	59,385
O. Public administration and defense, compulsory social security	135	84	-	-	219
P. Education	5,495	2,332	362	-	8,189
Q. Human health services and social work activities	36,925	6,026	1,236	8	44,195
R. Arts, entertainment and recreation	5,005	3,470	1,015	17	9,507
S. Other services	16,511	3,408	348	53	20,320
Private individuals	14,696,870	2,094,474	706,847	195,453	17,693,644
TOTAL	**16,130,242**	**2,361,452**	**807,783**	**197,325**	**19,496,802**

5. FINANCIAL RISK MANAGEMENT (continued)

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

Group
In RON thousand

			31 December 2020		
Retail	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
A. Agriculture, forestry and fishing	177,596	52,063	8,326	164	238,149
B. Mining and quarrying	3,431	1	182	-	3,614
C. Manufacturing	142,003	13,805	9,849	204	165,861
D. Electricity, gas, steam and air conditioning supply	178	589	26	-	793
E. Water supply	12,004	572	1,575	2	14,153
F. Construction	145,434	13,143	11,658	143	170,378
G. Wholesale and retail trade	374,419	23,810	26,864	933	426,026
H. Transport and storage services	229,276	31,183	26,320	155	286,934
I. Accommodation and restaurant services	40,954	5,678	1,926	2	48,560
J. Information and communications	35,355	2,086	1,776	59	39,276
K. Financial and insurance activities	521	95	99	-	715
L. Real estate activities	10,513	606	632	-	11,751
M. Professional, scientific and technical activities	87,868	14,594	3,546	19	106,027
N. Administrative and support service activities	44,167	4,217	2,603	18	51,005
O. Public administration and defense, compulsory social security	763	-	17	-	780
P. Education	6,636	1,035	74	-	7,745
Q. Human health services and social work activities	30,109	7,416	663	5	38,193
R. Arts, entertainment and recreation	8,172	2,256	334	-	10,762
S. Other services	14,800	2,441	577	58	17,876
Private individuals	13,085,940	1,933,885	676,308	208,432	15,904,565
TOTAL	**14,450,139**	**2,109,475**	**773,355**	**210,194**	**17,543,163**

5. FINANCIAL RISK MANAGEMENT (continued)

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

Bank
In RON thousand

	31 December 2021				
Retail	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
A. Agriculture, forestry and fishing	158,135	65,726	4,401	11	228,273
B. Mining and quarrying	397	84	78	-	559
C. Manufacturing	120,272	18,299	9,181	115	147,867
D. Electricity, gas, steam and air conditioning supply	477	2	33	-	512
E. Water supply	5,663	533	1,373	5	7,574
F. Construction	123,423	16,290	13,251	115	153,079
G. Wholesale and retail trade	346,920	40,703	25,928	847	414,398
H. Transport and storage services	122,784	20,372	10,151	131	153,438
I. Accommodation and restaurant services	30,753	11,958	1,841	45	44,597
J. Information and communications	28,055	3,731	2,503	76	34,365
K. Financial and insurance activities	125	8	109	-	242
L. Real estate activities	4,654	760	257	-	5,671
M. Professional, scientific and technical activities	79,467	13,859	3,227	171	96,724
N. Administrative and support service activities	35,733	7,851	4,019	278	47,881
O. Public administration and defense, compulsory social security	135	84	-	-	219
P. Education	4,213	2,201	362	-	6,776
Q. Human health services and social work activities	26,579	4,666	1,166	8	32,419
R. Arts, entertainment and recreation	3,988	3,036	898	17	7,939
S. Other services	11,956	3,092	349	53	15,450
Private individuals	14,653,175	2,094,044	705,773	195,453	17,648,445
TOTAL	**15,756,904**	**2,307,299**	**784,900**	**197,325**	**19,046,428**

5. FINANCIAL RISK MANAGEMENT (continued)

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

Bank
In RON thousand

	31 December 2020				
Retail	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
A. Agriculture, forestry and fishing	147,717	49,316	5,035	164	202,232
B. Mining and quarrying	1,442	1	94	-	1,537
C. Manufacturing	114,692	10,436	8,356	204	133,688
D. Electricity, gas, steam and air conditioning supply	178	589	26	-	793
E. Water supply	7,687	530	1,477	2	9,696
F. Construction	105,980	12,438	9,315	143	127,876
G. Wholesale and retail trade	314,272	21,339	23,883	933	360,427
H. Transport and storage services	120,751	9,432	9,169	155	139,507
I. Accommodation and restaurant services	35,872	3,967	1,628	2	41,469
J. Information and communications	26,264	1,860	1,607	59	29,790
K. Financial and insurance activities	113	9	99	-	221
L. Real estate activities	6,888	75	192	-	7,155
M. Professional, scientific and technical activities	63,858	11,183	2,992	19	78,052
N. Administrative and support service activities	33,462	3,884	2,126	18	39,490
O. Public administration and defense, compulsory social security	743	-	17	-	760
P. Education	5,779	993	70	-	6,842
Q. Human health services and social work activities	21,829	6,232	514	5	28,580
R. Arts, entertainment and recreation	6,796	1,760	328	-	8,884
S. Other services	11,589	2,345	497	58	14,489
Private individuals	13,032,572	1,933,065	674,724	208,432	15,848,793
TOTAL	**14,058,484**	**2,069,454**	**742,149**	**210,194**	**17,080,281**

5. FINANCIAL RISK MANAGEMENT (continued)

ECL Scenario

The table shows the Group Research values of the key forward looking economic variables/assumptions used in each of the economic scenarios, as of December 31, 2021 and December 31, 2020. These variables are the most significant variables used in ECL calculation.

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

31 December 2020 Key drivers Retail	ECL Scenario	Assigned Probabilities	2021	2022	2023
		%	%	%	%
GDP growth %					
	Baseline	50	4.2	4.0	3.5
	Upside	25	6.8	5.9	4.8
	Downside	25	0.6	1.3	1.7
EUR/RON					
	Baseline	50	4.97	5.05	5.12
	Upside	25	4.52	4.71	4.89
	Downside	25	5.36	5.34	5.31
ROBOR 3M					
	Baseline	50	1.80	2.20	3.00
	Upside	25	0.85	1.48	2.52
	Downside	25	3.66	3.59	3.93
Unemployment					
	Baseline	50	5.9	5.6	5.0
	Upside	25	5.0	5.0	4.6
	Downside	25	7.7	6.9	5.9

5. FINANCIAL RISK MANAGEMENT (continued)

The Group's internal credit rating grades

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

Retail: Private Individuals, MICRO		
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**
Performing		
0	Not Rated	
0.5	Minimal Risk	[0.00%-0.17%]
1	Excellent Credit Standing	[0.17% - 0.35%)
1.5	Very Good Credit Standing	[0.35% - 0.69%)
2	Good Credit Standing	[0.69% - 1.37%)
2.5	Sound Credit Standing	[1.37% - 2.7%)
3	Acceptable Credit Standing	[2.7% - 5.26%)
3.5	Marginal Credit Standing	[5.26% - 10%)
4	Weak Credit Standing	[10% - 18.18%)
4.5	Very Weak Credit Standing	[18.18% - 100%)
Non- performing		
5	Default	100%

In "Not Rated" category are also included retail exposures of subsidiaries for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, general IFRS 9 impairment rules apply, as described in *Note 3 (ix) Identification and measurement of impairment.*

Non-retail: Corporate, Small and medium business			
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**	**Internal rating grade mapping**
Performing			
1A, 1B, 1C	Minimal Risk	[0.00%-0.03%)	Excellent
2A, 2B, 2C	Excellent Credit Standing	[0.04% - 0.07%)	Strong
3A, 3B, 3C	Very Good Credit Standing	[0.09% - 0.16%)	
4A, 4B, 4C	Good Credit Standing	[0.22% - 0.41%)	Good
5A, 5B, 5C	Sound Credit Standing	[0.55% - 1.01%)	
6A, 6B, 6C	Acceptable Credit Standing	[1.37% - 2.52%)	Satisfactory
7A, 7B, 7C	Marginal Credit Standing	[3.41% - 6.27%)	
8A, 8B, 8C	Weak Credit Standing	[8.53% - 15.71%)	Substandard
9A, 9B, 9C	Very Weak Credit Standing	[21.25% - 50%)	
Non- performing			
10	Default	100%	Impaired

5. FINANCIAL RISK MANAGEMENT (continued)

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

Non-retail: Financial institution			
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**	**Internal rating grade mapping**
Performing			
1A, 1B, 1C	Minimal Risk	[0.00%-0.03%)	Excellent
2A, 2B, 2C	Excellent Credit Standing	[0.04% - 0.07%)	Strong
3A, 3B, 3C	Very Good Credit Standing	[0.1% - 0.18%)	
4A, 4B, 4C	Good Credit Standing	[0.24% - 0.45%)	Good
5A, 5B, 5C	Sound Credit Standing	[0.61% - 1.1%)	
6A, 6B, 6C	Acceptable Credit Standing	[1.5% - 2.8%)	Satisfactory
7A, 7B, 7C	Marginal Credit Standing	[3.78% - 6.9%)	
8A, 8B, 8C	Weak Credit Standing	[9.36% - 17.09%)	Substandard
9A, 9B, 9C	Very Weak Credit Standing	[23.28% - 48.94%)	
Non- performing			
10	Default	100%	Impaired

Non-retail: Project Finance			
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**	**Internal rating grade mapping**
Performing			
6.1	Excellent project risk profile - very low risk	[0.00%-0.75%)	Good
6.2	Good project risk profile - low risk	[1.37% - 4.63%)	Satisfactory
6.3	Acceptable risk profile - average risk	[6.27% - 15.71%)	
6.4	Poor project risk profile - high risk	[21.33% - 100%)	Substandard
Non- performing			
6.5	Default	100%	Impaired

5. FINANCIAL RISK MANAGEMENT (continued)

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

Non-retail: Insurance			
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**	**Internal rating grade mapping**
Performing			
0.5	Minimal Risk	[0.00% - 0.03%)	Excellent
1	Excellent Credit Standing	[0.03% - 0.04%)	Strong
1.5	Very Good Credit Standing	[0.03% - 0.04%)	
2	Good Credit Standing	[0.04% - 0.07%)	
2.5	Sound Credit Standing	[0.09% - 0.17%)	
3	Acceptable Credit Standing	[0.17% - 1.14%)	
3.5	Marginal Credit Standing	[1.40% - 2.78%)	Satisfactory
4	Weak Credit Standing	[2.78% - 8.79%)	
4.5	Very Weak Credit Standing	[8.79% - 100%)	Substandard
Non- performing			
5	Default	100%	Impaired

Non-retail: Sovereign			
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**	**Internal rating grade mapping**
Performing			
1A, 1B, 1C	Minimal Risk	[0.00%-0.03%)	Excellent
2A, 2B, 2C	Excellent Credit Standing	[0.03% - 0.06%)	Strong
3A, 3B, 3C	Very Good Credit Standing	[0.09% - 0.16%)	
4A, 4B, 4C	Good Credit Standing	[0.22% - 0.40%)	Good
5A, 5B, 5C	Sound Credit Standing	[0.55% - 1.01%)	
6A, 6B, 6C	Acceptable Credit Standing	[1.37% - 2.52%)	Satisfactory
7A, 7B, 7C	Marginal Credit Standing	[3.42% - 6.30%)	
8A, 8B, 8C	Weak Credit Standing	[8.55% - 15.74%)	Substandard
9A, 9B, 9C	Very Weak Credit Standing	[21.36% - 39.35%)	
Non- performing			
10	Default	100%	Impaired

5. FINANCIAL RISK MANAGEMENT (continued)

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

Non-retail - Collective Investment Undertakings			
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**	**Internal rating grade mapping**
Performing			
C1	Excellent Credit Standing	[0.00% - 0.04%)	Strong
C2	Very strong Credit Standing	[0.04% - 0.05%)	
C3	Strong Credit Standing	[0.04% - 0.05%)	
C4	Good Credit Standing	[0.04% - 0.05%)	
C5	Quite good Credit Standing	[0.05% - 0.06%)	
C6	Satisfactory Credit Standing	[0.06% - 0.07%)	
C7	Adequate Credit Standing	[0.07% - 0.21%)	Good
C8	Highly questionable Credit Standing	[0.21% - 3.86%)	Satisfactory
C9	Doubtful/high default risk	[3.86% - 14.46%)	Substandard
Non- performing			
CD	Insolvency, loss	100%	Impaired

Non-retail: Local and Regional Government			
Internal rating grade	**Internal rating description**	**12 month Basel III PD range**	**Internal rating grade mapping**
Performing			
1A, 1B, 1C	Minimal Risk	[0.00%-0.02%)	Excellent
2A, 2B, 2C	Excellent Credit Standing	[0.03% - 0.06%)	Strong
3A, 3B, 3C	Very Good Credit Standing	[0.09% - 0.16%)	
4A, 4B, 4C	Good Credit Standing	[0.22% - 0.40%)	Good
5A, 5B, 5C	Sound Credit Standing	[0.55% - 1.01%)	
6A, 6B, 6C	Acceptable Credit Standing	[1.37% - 2.52%)	Satisfactory
7A, 7B, 7C	Marginal Credit Standing	[3.42% - 6.30%)	
8A, 8B, 8C	Weak Credit Standing	[8.55% - 15.74%)	Substandard
9A, 9B, 9C	Very Weak Credit Standing	[21.36% - 39.35%)	
Non- performing			
10	Default	100%	Impaired

Non-performing not defaulted exposure (NPE not defaulted)

Regulation for forborne and non-performing exposures

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

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

a) The exposure was classified as default/Stage 3 according to IFRS 9;

b) Performing restructured exposure that was reclassified from non-performing exposure and for which the restructuring measures have been extended during the monitoring time frame;

c) Performing restructured exposure that was reclassified from non-performing exposure and for which number of days past due reached more than 30 days during the monitoring time frame.

5. FINANCIAL RISK MANAGEMENT (continued)

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

Non-retail

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

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

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

Retail

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

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

In the case of a non-performing exposure to a PI, all other debtor's exposures of the same product group shall be considered non-performing (i.e. at product level).

Due to pulling effect, when a PI debtor has on-balance sheet exposures past due more than 90 days, the gross carrying amount of which represents 20% of the gross carrying amount of all its on-balance sheet exposures, all on and off-balance sheet exposures of this debtor shall be considered as non-performing and so the non default facilities might be reclassified as non performing due to contamination at product and debtor level.

c) Liquidity risk

Liquidity risk is generated in the normal course of banking activity being a consequence of the bank's response to client needs. While depositors need short term access to their funds, borrowers need the possibility to repay the loans in medium to long term timeframes, therefore by responding to these needs the Bank accepts a degree of liquidity risk that has to be actively managed.

The Management Board defines the liquidity risk strategy based on recommendations made by the units responsible for liquidity and funding management in cooperation with the area responsible for monitoring and controlling of liquidity risk. Management Board approves each year the limits which are applied to measure and control liquidity risk as well as the Bank's funding plan.

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

- for normal business conditions, using a set of limits for the long term liquidity risk profile. The role of the limits is to prevent the accumulation of liquidity risk from current activity of the Bank;
- for stress conditions, tolerance is the Bank's capacity to operate for an acceptable time without significant changes to the strategy or business model.

5. FINANCIAL RISK MANAGEMENT (continued)

Treasury and Capital Markets Division function is responsible for the management of liquidity and funding risk of the Bank and Risk Management Division has responsibilities for liquidity risk monitoring and controlling, as defined in the liquidity and funding strategies.

For liquidity management, the Bank analyses, monitors and forecasts the liquidity behaviour of products and business segments and maintain long-term liquidity, including stable deposits, in excess of illiquid assets, at an optimal cost, as defined in the risk appetite.

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

The transfer pricing mechanism represents an important instrument for the management of liquidity risks. It covers the balance sheet and off balance sheet elements and is designed to allocate all costs and benefits to the business segments in a way that incentivizes the efficient use of liquidity.

The main tools used for liquidity and funding risk management are:

- the liquidity gap report: used to identify and measure the maturity mismatch between assets and liabilities;
- liquidity scorecard: tool for assessing the robustness of the balance sheet structure (loans to deposits ratio, funding concentration, size of liquid assets in relation to total obligations, etc);
- regulatory liquidity reports: the Bank has to comply with a regulatory liquidity indicator which sets minimum liquidity risk standards at banking system level and also with the European liquidity requirements;
- funding scorecard: the Bank ensures that funding risk is mitigated through the monitoring of several triggers, among which: the concentration in sources of wholesale funding, maturity concentration, the dependence on short term funding and the percentage of unencumbered assets.

At Bank level, there are pre-established trigger levels set for the main tools which are monitored and, in case a breach is observed or anticipated, a specific action plan is taken based on senior management decision.

For stress conditions, the Bank maintains a sufficient liquidity buffer that can be used to compensate the limited access to funding sources and liquidity outflows during stress periods. The Bank determines the necessary liquidity buffer based on stress test analysis. In addition the Bank defines a contingency plan which establishes responsibilities and specific actions that can be taken to strengthen liquidity position on short term and reduce liquidity risk on medium to long term.

The main tools used for stress conditions are:

- Early warning system: used to monitoring financial markets and internal liquidity indicators in order to anticipate accumulation of risks and potential stress conditions;
- Internal stress test: scenario based analysis used to evaluate Bank's ability to operate in stress conditions;
- Regulatory liquidity coverage ratio: scenario based analysis standardized at banking system level, used to evaluate Bank's ability to operate in stress conditions, as described in CRR/ CRD IV package. According to the standard, banks are required to hold an adequate stock of unencumbered high quality assets (HQLA) to cover potential liquidity outflows in stress conditions.

5. FINANCIAL RISK MANAGEMENT (continued)

Group

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

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturity	Total
Financial Assets						
Cash and cash with Central Bank	11,288,325	-	-	-	-	11,288,325
Loans and advances to banks at amortized cost	121,811	50,053	1,096,818	247,513	2,227	1,518,422
Derivative assets held for risk management	8,305	-	-	-	-	8,305
Trading assets	18,914	43,292	18,161	49,752	5,055	135,174
Financial assets mandatorily at fair value through profit or loss	10,516	9,160	37,302	157,394	43,536	257,908
Investment securities at fair value through other comprehensive income	25,747	511,070	2,528,730	595,197	-	3,660,744
Equity instruments at fair value through other comprehensive income	-	-	-	-	49,766	49,766
Loans and advances to customers at amortised cost	3,273,371	6,375,422	14,056,285	9,268,032	2	32,973,112
Investment securities at amortised cost	253,161	236,560	5,753,062	2,307,681	-	8,550,464
Other assets	264,594	90	-	-	-	264,684
Total financial assets	**15,264,743**	**7,225,647**	**23,490,358**	**12,625,569**	**100,586**	**58,706,904**
Financial Liabilities						
Trading liabilities	20,861	-	-	-	-	20,861
Derivative liabilities held for risk management	3,268	-	-	-	-	3,268
Deposits from banks	357,562	-	-	-	-	357,562
Deposits from customers	46,058,892	3,361,121	235,660	46,904	-	49,702,577
Loans from banks and other financial institutions	-	34,507	101,752	202,880	5,938	345,077
Derivatives – Hedge accounting	-	-	-	8,298	-	8,298
Fair value changes of the hedged items-liability	-	-	-	3,466	-	3,466
Debt securities issued	-	-	401,324	1,717,251	-	2,118,575
Subordinated liabilities	-	-	124,424	198,910	-	323,334
Other liabilities	819,051	67,567	179,909	16,243	-	1,082,770
Total financial liabilities	**47,259,634**	**3,463,195**	**1,043,069**	**2,193,952**	**5,938**	**53,965,788**
Maturity surplus/ (shortfall)	**(31,994,891)**	**3,762,452**	**22,447,289**	**10,431,617**	**94,648**	**4,741,116**

5. FINANCIAL RISK MANAGEMENT (continued)

Group

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as at 31 December 2020 as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturity	Total
Financial Assets						
Cash and cash with Central Bank	10,854,199	-	-	-	-	10,854,199
Loans and advances to banks at amortized cost	825,873	146,186	-	-	-	972,059
Derivative assets held for risk management	729	-	-	-	-	729
Trading assets	224	149,215	159,771	45,061	-	354,271
Financial assets mandatorily at fair value through profit or loss	36,231	75,098	58,688	198,835	24,995	393,847
Investment securities at fair value through other comprehensive income	586,734	220,928	1,858,138	546,728	-	3,212,528
Equity instruments at fair value through other comprehensive income	-	-	-	-	44,989	44,989
Loans and advances to customers at amortised cost	2,720,503	5,781,868	11,796,281	8,474,408	-	28,773,060
Fair value changes of the hedged items-asset	-	-	-	10,449	-	10,449
Investment securities at amortised cost	163,515	131,239	3,898,529	1,902,426	-	6,095,709
Other assets	160,414	-	107,695	-	1,070	269,179
Total financial assets	**15,348,422**	**6,504,534**	**17,879,102**	**11,177,907**	**71,054**	**50,981,019**
Financial Liabilities						
Trading liabilities	23,393	-	-	-	-	23,393
Derivative liabilities held for risk management	-	-	-	15,971	-	15,971
Deposits from banks	338,463	-	-	-	-	338,463
Deposits from customers	39,671,280	3,481,887	354,943	44,923	-	43,553,033
Loans from banks and other financial institutions	25,756	65,816	226,380	114,226	-	432,178
Derivatives – Hedge accounting	-	-	21,488	-	-	21,488
Debt securities issued	-	-	-	480,092	-	480,092
Subordinated liabilities	-	97,870	122,404	196,052	-	416,326
Other liabilities	579,085	22,995	63,685	20,6077	40,969	912,811
Total financial liabilities	**40,637,977**	**3,668,568**	**788,900**	**1,057,341**	**40,969**	**46,193,755**
Maturity surplus/ (shortfall)	**(25,289,555)**	**2,835,966**	**17,090,202**	**10,120,566**	**30,085**	**4,787,264**

5. FINANCIAL RISK MANAGEMENT (continued)

Bank

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

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturity	Total
Financial Assets						
Cash and cash with Central Bank	11,285,168	-	-	-	-	11,285,168
Loans and advances to banks at amortised cost	53,065	50,053	1,142,262	259,494	-	1,504,874
Derivative assets held for risk management	8,305	-	-	-	-	8,305
Trading assets	18,914	43,292	18,161	49,752	5,055	135,174
Financial assets mandatorily at fair value through profit or loss	10,517	9,160	37,302	157,394	29,009	243,382
Investment securities at fair value through other comprehensive income	162	460,916	2,507,541	595,197	-	3,563,816
Equity instruments at fair value through other comprehensive income	-	-	-	-	49,766	49,766
Loans and advances to customers at amortised cost	3,221,432	6,289,968	13,746,882	9,241,472	-	32,499,754
Investment securities at amortised cost	246,979	177,559	5,682,136	2,307,681	-	8,414,355
Other assets	246,614	-	-	-	-	246,614
Total financial assets	**15,091,156**	**7,030,948**	**23,134,284**	**12,610,990**	**83,830**	**57,951,208**
Financial Liabilities						
Trading liabilities	20,861	-	-	-	-	20,861
Derivative liabilities held for risk management	3,268	-	-	-	-	3,268
Deposits from banks	357,562	-	-	-	-	357,562
Deposits from customers	45,975,418	3,387,097	232,024	46,870	-	49,641,409
Loans from banks and other financial institutions	-	-	8,611	-	-	8,611
Derivatives – Hedge accounting	-	-	-	8,298	-	8,298
Fair value changes of the hedged items-liability	-	-	-	3,466	-	3,466
Debt securities issued	-	-	401,324	1,717,251	-	2,118,575
Subordinated liabilities	-	-	124,424	198,910	-	323,334
Other liabilities	815,058	63,666	178,361	20,345	-	1,077,430
Total financial liabilities	**47,172,167**	**3,450,763**	**944,744**	**1,995,140**	**-**	**53,562,814**
Maturity surplus/ (shortfall)	**(32,081,011)**	**3,580,185**	**22,189,540**	**10,615,850**	**83,830**	**4,388,394**

5. FINANCIAL RISK MANAGEMENT (continued)

Bank

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as of 31 December 2020 as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Without maturity	Total
Financial Assets						
Cash and cash with Central Bank	10,853,779	-	-	-	-	10,853,779
Loans and advances to banks at amortised cost	824,980	146,186	-	-	-	971,166
Derivative assets held for risk management	729	-	-	-	-	729
Trading assets	224	149,215	159,771	45,061	-	354,271
Financial assets mandatorily at fair value through profit or loss	21,530	75,098	58,688	198,835	24,995	379,146
Investment securities at fair value through other comprehensive income	664,709	164,444	1,775,003	546,728	-	3,150,884
Equity instruments at fair value through other comprehensive income	-	-	-	-	44,989	44,989
Loans and advances to customers at amortised cost	2,601,163	5,544,296	11,631,583	8,443,809	-	28,220,851
Fair value changes of the hedged items-asset	-	-	-	10,449	-	10,449
Investment securities at amortised cost	163,515	131,239	3,715,425	1,902,426	-	5,912,605
Other assets	121,511	-	107,695	-	-	229,206
Total financial assets	**15,252,140**	**6,210,478**	**17,448,165**	**11,147,308**	**69,984**	**50,128,075**
Financial Liabilities						
Trading liabilities	23,393	-	-	-	-	23,393
Derivative liabilities held for risk management	-	-	-	15,971	-	15,971
Deposits from banks	338,463	-	-	-	-	338,463
Deposits from customers	39,547,140	3,462,534	340,474	44,780	-	43,394,928
Loans from banks and other financial institutions	-	-	-	17,657	-	17,657
Derivatives – Hedge accounting	-	-	21,488	-	-	21,488
Debt securities issued	-	-	-	480,092	-	480,092
Subordinated liabilities	-	97,870	122,404	196,052	-	416,326
Other liabilities	567,765	22,995	63,685	206,077	40,969	901,491
Total financial liabilities	**40,476,761**	**3,583,399**	**548,051**	**960,629**	**40,969**	**45,609,809**
Maturity surplus/ (shortfall)	**(25,224,621)**	**2,627,079**	**16,900,114**	**10,186,679**	**29,015**	**4,518,266**

5. FINANCIAL RISK MANAGEMENT (continued)

Usually, the most significant liquidity gap is registered in the first interval (up to 3 months) mainly due to non-banking customers, which prefer short term maturities for deposits and long term maturities for loans. This behaviour that determines a negative gap in the first interval generates a positive gap on the other intervals (higher than 3 months). In practice the negative gap in the first bucket does not represent outflows as most customer deposits are rolled over or replaced by new deposits.

Also the Group securities portfolio can be turned to cash (repo or sale) in a short time representing thus a buffer that diminishes the liquidity risk in the first bucket.

Group:

The negative liquidity gap on the first bucket has increased in 2021 by RON 6,717,100 thousand compared to 2020, being generated by the increase in customer deposits, higher in 2021 by RON 6,149,544 thousand.

With regards to the other buckets, the most significant one is related to bucket 1-5 years. Here the increase in maturity surplus by RON 5,357,087 thousand is mainly due to increase in loans and advances to customers by RON 2,260,004 thousand and to higher investment securities at amortised cost by RON 1,854,533 thousand.

Bank:

The negative liquidity gap on the first bucket has increased in 2021 by RON 6,868,154 thousand compared to 2020, being generated by the increase in customer deposits, higher in 2021 by RON 6,246,481 thousand.

With regards to the other buckets, the most significant one is related to bucket 1-5 years. Here the increase in maturity surplus by RON 5,289,426 thousand is mainly due to increase in loans and advances to customers by RON 2,115,299 thousand, but also due to higher investment securities at amortised cost by RON 1,966,711 thousand.

5. FINANCIAL RISK MANAGEMENT (continued)

Analysis of financial liabilities by remaining contractual maturities

The amounts disclosed in the below tables represent contractual maturity analysis for financial liabilities disclosed in accordance with IFRS 7, whereby the undiscounted cash flows to be shown in these predefined maturity-bands differ from the amounts included in the balance sheet because the balance sheet amount is based on discounted cash flows.

Group

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

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

Group

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2020 are as follows:

In RON thousand	Up to 1 Month	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Financial Liabilities						
Gross settled trading liabilities	2,444,337	387,446	469,129	1,919	-	3,302,831
Net settled derivative liabilities held for risk management	1,027	1,893	2,278	16,863	2,588	24,649
Deposits from banks	337,982	-	484	-	-	338,466
Deposits from customers	37,691,449	2,141,502	3,474,816	227,128	45,077	43,579,972
Loans from banks	2,016	43,256	99,733	294,454	392	439,851
Debt securities issued	-	6,500	20,702	122,857	600,187	750,246
Subordinated liabilities	2,092	2,303	111,412	177,673	240,097	533,577
Lease liabilities	1,710	23,054	63,685	206,075	40,969	335,493
Total financial liabilities	**40,480,613**	**2,605,954**	**4,242,239**	**1,046,969**	**929,310**	**49,305,079**
Undrawn commitments	2,592,553	982,229	4,162,034	3,060,038	697,653	11,494,507
Financial guarantees and Letters of credit	152,047	556,992	1,189,533	622,905	137,179	2,658,656
Other financial guarantees	7,357	38,749	42,884	14,531	4,178	107,699
Total commitments and guarantees	**2,751,957**	**1,577,970**	**5,394,451**	**3,697,474**	**839,010**	**14,260,862**
Contractual amounts receivable	1,080,005	-	-	56,940	-	1,136,945
Contractual amounts payable	(1,087,273)	(76)	(1,976)	(57,154)	-	(1,146,479)
Gross settled derivative liabilities held for risk management	**(7,268)**	**(76)**	**(1,976)**	**(214)**	**-**	**(9,534)**

5. FINANCIAL RISK MANAGEMENT (continued)

Bank

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2020 are as follows:

In RON thousand	Up to 1 Months	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Financial Liabilities						
Gross settled trading liabilities	2,444,337	387,446	469,129	1,919	-	3,302,831
Net settled derivative liabilities held for risk management	1,027	1,893	2,278	16,863	2,588	24,649
Deposits from banks	337,982	-	484	-	-	338,466
Deposits from customers	37,691,449	2,017,361	3,455,463	212,659	44,934	43,421,866
Loans from banks	2,016	7	6,729	8,513	392	17,657
Debt securities issued	-	6,500	20,702	122,857	600,187	750,246
Subordinated liabilities	2,092	2,303	111,412	177,673	240,097	533,577
Lease liabilities	1,710	23,054	63,685	206,075	40,969	335,493
Total financial liabilities	**40,480,613**	**2,438,564**	**4,129,882**	**746,559**	**929,167**	**48,724,785**
Undrawn commitments	2,592,553	973,669	4,157,293	3,037,943	697,362	11,458,820
Financial guarantees and Letters of credit	152,047	556,992	1,189,533	622,905	137,179	2,658,656
Other financial guarantees	7,357	38,749	42,884	14,531	4,178	107,699
Total commitments and guarantees	**2,751,957**	**1,596,410**	**5,389,710**	**3,675,379**	**838,719**	**14,225,175**
Contractual amounts receivable	1,080,005	-	-	56,940	-	1,136,945
Contractual amounts payable	(1,087,349)	(76)	(1,976)	(57,154)	-	(1,146,479)
Gross settled derivative liabilities held for risk management	**(7,268)**	**(76)**	**(1,976)**	**(214)**	**-**	**(9,534)**

5. FINANCIAL RISK MANAGEMENT (continued)

d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and others will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Group separates its exposure to market risk between trading and non-trading portfolios.

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk (VaR).
The VaR of a trading portfolio is the maximum estimated loss that can arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). In 2021, the VaR model used by the Group is based upon a 99% confidence level and assumes a 1 day holding period.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 1 day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations when there is severe market illiquidity for a prolonged period;
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the used model there is a 1% probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.

The Group calculates VaR for total market risk and for individual foreign exchange and interest rate risk. The overall structure of VaR limits is subject to review and approval by the Assets and Liabilities Committee (ALCO). VaR is calculated on a daily basis. Reports including VaR figures and limits utilization are submitted daily to Group management and monthly summaries are submitted to ALCO.

5. FINANCIAL RISK MANAGEMENT (continued)

A summary of the VaR position of the Group's trading portfolios at December 31, 2021 and 2020 and during the period is as follows (trading portfolio includes trading assets and trading liabilities as well as the overall FX position of the Group):

In RON thousand	**At 31 December**	**Average Risk**	**Maximum Risk**	**Minimum Risk**
2021				
Foreign currency risk*	145	304	813	32
Interest-rate risk	301	332	1,062	38
Total	**446**	**636**	**1,875**	**70**
2020				
Foreign currency risk*	631	414	953	103
Interest-rate risk	278	355	1,001	66
Total	**909**	**769**	**1,954**	**169**

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

A summary of the VaR position of the Bank's trading portfolios at December 31, 2021 and 2020 and during the period is as follows (trading portfolio includes trading assets and trading liabilities as well as the overall FX position of the Bank):

In RON thousand	**At 31 December**	**Average Risk**	**Maximum Risk**	**Minimum Risk**
2021				
Foreign currency risk*	143	304	813	32
Interest-rate risk	301	332	1,062	38
Total	**444**	**636**	**1,875**	**70**
2020				
Foreign currency risk*	630	414	953	103
Interest-rate risk	278	355	1,001	66
Total	**908**	**769**	**1,954**	**169**

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

At Bank level, the foreign exchange risk is managed through the overall open foreign currency position which represents the basis for the calculation of the VaR for currency risk. In addition to VaR, the foreign exchange risk is measured, monitored and controlled at Bank level through the set of limits for the open notional foreign currency position for each currency and for total. The Bank may have positions only in currencies for which an approved open foreign currency notional position limit is in place.

Exposure to interest rate risk for non-trading portfolios

The main risk to which non-trading portfolios are exposed is the interest rate risk. Interest rate risk represents the risk of loss due to adverse and unexpected movements in interest rates. On one side interest rate movements influence bank's earnings by affecting the net interest rate revenues (earnings perspective). On the other side movements in interest rates also affect the economic value of bank's assets, liabilities and off balance sheet items as the present value of future cash flows (and even the actual cash flows) may change following interest rate movements (economic value perspective). Interest rate risk is principally managed by monitoring the interest rate gap and a set of pre-approved limits. ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities.

The derivative financial instruments used by the Group to reduce the interest rate risk include swaps that fluctuate in value depending on the interest rates variations.

5. FINANCIAL RISK MANAGEMENT (continued)

The swaps are over the counter market commitments and are traded between the Group and third parties with the purpose of exchanging future cash flows on agreed amounts. Through interest rate swaps, the Group agrees to exchange with third parties, at determined time intervals the difference between the fixed and variable interest rates.

The following tables provide an analysis of the interest rate risk exposure on non-trading financial assets and liabilities. The assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates, except for positions without contractual maturity (such as sight deposits from customers) which are distributed per buckets according to modeled interest rate profile calculated based on statistical methods.

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

In RON thousand	**Less than 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Assets						
Cash and cash with Central Bank	7,293,323	-	-	-	3,995,002	11,288,325
Loans and advances to banks at amortised cost	1,518,411	-	-	-	11	1,518,422
Financial assets mandatorily at fair value through profit or loss	97,598	116,279	407	89	43,535	257,908
Investment securities at fair value through other comprehensive income	151,490	617,631	2,457,653	433,970	-	3,660,744
Loans and advances to customers at amortised cost	18,866,822	6,593,413	6,659,914	852,961	2	32,973,112
Investment securities at amortised cost	287,569	319,578	5,680,048	2,263,269	-	8,550,464
	28,215,213	**7,646,901**	**14,798,022**	**3,550,289**	**4,038,550**	**58,248,975**
Liabilities						
Deposits from banks	357,562	-	-	-	-	357,562
Deposits from customers	22,538,379	7,729,350	19,387,944	46,904	-	49,702,577
Loans from banks and other financial institutions	236,624	35,355	73,098	-	-	345,077
Debt securities issued	480,399	33,455	399,756	1,204,965	-	2,118,575
Subordinated liabilities	199,631	-	123,703	-	-	323,334
	23,812,595	**7,798,160**	**19,984,501**	**1,251,869**	**-**	**52,847,125**
Effect of derivatives held for risk management purposes	208,049	49,481	(174,369)	(79,170)	-	3,991
Net position	**4,610,667**	**(101,778)**	**(5,360,848)**	**2,219,250**	**4,038,550**	**5,405,841**

5. FINANCIAL RISK MANAGEMENT (continued)

A summary of the Group's interest rate gap position on non-trading portfolios as at 31 December 2020 is as follows:

In RON thousand	**Less than 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Assets						
Cash and cash with Central Bank	7,297,397	-	-	-	3,556,802	10,854,199
Loans and advances to banks at amortised cost	972,059	-	-	-	-	972,059
Financial assets mandatorily at fair value through profit or loss	244,001	134,286	759	100	14,701	393,847
Investment securities at fair value through other comprehensive income	842,810	290,497	1,755,940	323,281	-	3,212,528
Loans and advances to customers at amortised cost	17,625,388	4,988,576	5,741,650	417,446	-	28,773,060
Investment securities at amortised cost	204,657	264,776	3,770,141	1,856,135	-	6,095,709
	27,186,312	**5,678,135**	**11,268,490**	**2,596,962**	**3,571,503**	**50,301,402**
Liabilities						
Deposits from banks	338,463	-	-	-	-	338,463
Deposits from customers	19,760,524	7,231,471	16,516,237	44,801	-	43,553,033
Loans from banks and other financial institutions	307,971	38,266	82,225	3,716	-	432,178
Debt securities issued	480,092	-	-	-	-	480,092
Subordinated liabilities	294,591	-	121,735	-	-	416,326
	21,181,641	**7,269,737**	**16,720,197**	**48,517**	**-**	**45,220,092**
Effect of derivatives held for risk management purposes	207,986	48,694	(175,675)	(77,910)	-	3,095
Net position	**6,212,657**	**(1,542,908)**	**(5,627,382)**	**2,470,535**	**3,571,503**	**5,084,405**

5. FINANCIAL RISK MANAGEMENT (continued)

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

In RON thousand	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and cash with Central Bank	7,290,183	-	-	-	3,994,985	11,285,168
Loans and advances to banks at amortised cost	1,504,874	-	-	-	-	1,504,874
Financial assets mandatorily at fair value through profit or loss	97,598	116,279	407	89	29,009	243,382
Investment securities at fair value through other comprehensive income	125,906	567,476	2,436,464	433,970	-	3,563,816
Loans and advances to customers at amortised cost	18,625,475	6,523,349	6,508,564	842,366	-	32,499,754
Investment securities at amortised cost	281,388	260,576	5,609,122	2,263,269	-	8,414,355
	27,925,424	**7,467,680**	**14,554,557**	**3,539,694**	**4,023,994**	**57,511,349**
Liabilities						
Deposits from banks	357,562	-	-	-	-	357,562
Deposits from customers	22,482,242	7,727,989	19,384,308	46,870	-	49,641,409
Loans from banks and other financial institutions	1,408	2,977	4,226	-	-	8,611
Debt securities issued	480,399	33,455	399,756	1,204,965	-	2,118,575
Subordinated liabilities	199,631	-	123,703	-	-	323,334
	23,521,242	**7,764,421**	**19,911,993**	**1,251,835**	**-**	**52,449,491**
Effect of derivatives held for risk management purposes	208,049	49,481	(174,369)	(79,170)	-	3,991
Net position	**4,612,231**	**(247,260)**	**(5,531,805)**	**2,208,689**	**4,023,994**	**5,065,850**

5. FINANCIAL RISK MANAGEMENT (continued)

A summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2020 is as follows:

In RON thousand	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and cash with Central Bank	7,296,995	-	-	-	3,556,784	10,853,779
Loans and advances to banks at amortised cost	971,166	-	-	-	-	971,166
Financial assets mandatorily at fair value through profit or loss	244,001	134,286	759	100	-	379,146
Investment securities at fair value through other comprehensive income	842,810	228,853	1,755,940	323,281	-	3,150,884
Loans and advances to customers at amortised cost	17,315,095	4,900,989	5,603,627	401,140	-	28,220,851
Investment securities at amortised cost	185,299	196,590	3,674,581	1,856,135	-	5,912,605
	26,855,366	**5,460,718**	**11,034,907**	**2,580,656**	**3,556,784**	**49,488,431**
Liabilities						
Deposits from banks	338,463	-	-	-	-	338,463
Deposits from customers	19,686,926	7,172,347	16,490,875	44,780	-	43,394,928
Loans from banks and other financial institutions	4,348	4,428	8,513	368	-	17,657
Debt securities issued	480,092	-	-	-	-	480,092
Subordinated liabilities	294,591	-	121,735	-	-	416,326
	20,804,420	**7,176,775**	**16,621,123**	**45,148**	**-**	**44,647,466**
Effect of derivatives held for risk management purposes	207,986	48,694	(175,675)	(77,910)	-	3,095
Net position	**6,258,932**	**(1,667,363)**	**(5,761,891)**	**2,457,598**	**3,556,784**	**4,844,060**

5. FINANCIAL RISK MANAGEMENT (continued)

The management of interest rate risk through the set of interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios.

The sensitivity scenarios calculate the change in the economic value of the banking book interest rate sensitive assets and liabilities of the Bank under the assumption that interest rates change according to the each of the interest rate scenarios. Under each scenario the sensitivity result is calculated by comparing the present value of the banking book under stress scenario with the present value calculated using the base interest rate curve. The present value of the banking book asset and liabilities is calculated by discounting future cash flows generated by interest rate sensitive assets and liabilities which are distributed on repricing gaps according to next reset date – in case of floating rate instruments – or according to maturity date – in case of fixed rate instruments.

An analysis of the Group's sensitivity of the economic value of banking book assets and liabilities to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

In RON thousand	**200 bp Increase**	**200 bp Decrease**
At 31 December 2021	**271,159**	**301,870**
Average for the period	251,488	276,752
Minimum for the period	176,708	192,685
Maximum for the period	364,044	413,413
At 31 December 2020	**255,790**	**287,759**
Average for the period	341,432	384,381
Minimum for the period	255,790	287,759
Maximum for the period	420,502	473,313

An analysis of the Bank's sensitivity of the economic value of banking book assets and liabilities to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

In RON thousand	**200 bp Increase**	**200 bp Decrease**
At 31 December 2021	**262,827**	**292,954**
Average for the period	248,001	273,023
Minimum for the period	169,257	184,605
Maximum for the period	356,352	404,999
At 31 December 2020	**247,796**	**278,972**
Average for the period	333,416	375,555
Minimum for the period	247,796	278,972
Maximum for the period	410,192	462,060

5. FINANCIAL RISK MANAGEMENT (continued)

According to EBA requirements (EBA/GL/2015/08), measurement and monitoring of interest rate risk in the banking book is done based on two approaches: economic value and net interest income (NII) volatility.

In order to assess the impact of interest rate changes on net interest income, a set of scenarios and assumptions are defined and used to measure net interest income volatility and potential losses.

The assessment is made using a constant balance sheet, i.e. each maturing item is replaced by an item with similar characteristics, over a 12-month period and an instantaneous shock.

The impact of interest rate shocks on net interest income is presented below:

In RON million
Bank

Applied shock on Net Interest Income*	**2021**	**2020**
Parallel +200bp	261	270
Parallel -200bp	(434)	(417)
Steepening 5Y +200bp	10	12
Flattening 5Y -200bp	(43)	(40)
Flattening 1D +200bp	252	259
Steepening 1D -200bp	(385)	(376)
Maximum positive impact	300	296
Maximum negative impact	(468)	(433)

* The change in projected Net Interest Income over a forward-looking rolling 12-month period, using a constant balance sheet assumption and an instantaneous shock.

The interest rates related to the local currency and the major foreign currencies as at 31 December 2021 and 2020 were as follows:

Currencies	**Interest rate**	**31 December 2021**	**31 December 2020**
RON	ROBOR 3 months	3.01%	2.03%
EUR	EURIBOR 3 months	-0.57%	-0.55%
EUR	EURIBOR 6 months	-0.55%	-0.53%
USD	LIBOR 6 months	0.35%	0.26%

5. FINANCIAL RISK MANAGEMENT (continued)

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

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

The following table shows the interest rates per annum obtained or offered by the Group for its interest-earning assets and interest- bearing liabilities during the 2020 financial year:

	Average interest rate		
	RON	**EUR**	**USD**
Assets			
Current accounts with National Bank of Romania	0.17%	0.00%	0.06%
Loans and advances to banks at amortised cost	2.04%	-0.51%	0.28%
Trading assets	3.75%	0.91%	2.56%
Financial assets mandatorily at fair value through profit or loss	5.31%	4.63%	N/A
Investment securities at fair value through other comprehensive income	3.99%	0.10%	N/A
Loans and advances to customers at amortised cost	5.31%	1.35%	1.78%
Investment securities at amo-rtised cost	4.00%	1.44%	N/A
Liabilities			
Deposits from banks	1.89%	0.00%	0.00%
Deposits from customers	0.50%	0.16%	0.01%
Loans from banks and other financial institutions	0.60%	0.03%	0.60%
Debt securities issued	6%	N/A	N/A
Subordinated liabilities	N/A	4.13%	N/A

5. FINANCIAL RISK MANAGEMENT (continued)

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

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

The following table shows the average interest rates per annum obtained or offered by the Bank for its interest-earning assets and interest- bearing liabilities during the 2020 financial year:

	Average interest rate		
	RON	**EUR**	**USD**
Assets			
Current accounts with National Bank of Romania	0.17%	0.00%	0.06%
Trading assets	2.04%	-0.51%	0.28%
Loans and advances to banks at amortised cost	3.75%	0.91%	2.56%
Financial assets mandatorily at fair value through profit or loss	5.31%	4.63%	N/A
Investment securities at fair value through other comprehensive income	3.99%	0.10%	N/A
Loans and advances to customers at amortised cost	5.31%	1.35%	1.78%
Investment securities at amortised cost	4.00%	1.44%	N/A
Liabilities			
Deposits from banks	1.89%	0.00%	0.00%
Deposits from customers	0.50%	0.16%	0.01%
Loans from banks and other financial institutions	0.60%	0.03%	0.60%
Debt securities issued	6%	N/A	N/A
Subordinated liabilities	N/A	4.13%	N/A

5. FINANCIAL RISK MANAGEMENT (continued)

Exposure to currency risk

The Group is exposed to currency risk due to transactions in foreign currencies. There is also a balance sheet risk that the net monetary assets in foreign currencies will take a lower value when translated into RON as a result of currency movements or net monetary liabilities in foreign currencies will take a higher value as a result of these currency movements.

Group

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

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

Group

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2020 are presented below:

In RON thousand	RON	USD	EUR	OTHER	Total
Monetary assets					
Cash and cash with Central Bank	5,743,835	78,619	4,993,494	38,251	10,854,199
Loans and advances to banks at amortised cost	124,816	13,199	830,426	3,618	972,059
Derivative assets held for risk management	-	42	687	-	729
Trading assets	337,215	-	17,056	-	354,271
Financial assets mandatorily at fair value through profit or loss	320,126	24,995	17,007	31,719	393,847
Investment securities at fair value through other comprehensive income	1,866,456	39,843	1,306,229	-	3,212,528
Equity instruments at fair value through other comprehensive income	11,678	33,311	-	-	44,989
Investment in subsidiaries, associates and joint ventures	29,419	-	-	-	29,419
Loans and advances to customers at amortised cost*	20,335,750	397,602	7,710,494	329,214	28,773,060
Fair value changes of the hedged items-asset	6,181	-	4,268	-	10,449
Investment securities at amortised cost	4,097,588	41,911	1,956,210	-	6,095,709
Other assets	216,823	-	52,072	284	269,179
Total monetary assets	**33,089,887**	**629,522**	**16,887,943**	**403,086**	**51,010,438**
Monetary liabilities					
Trading liabilities	21,024	-	2,369	-	23,393
Derivative liabilities held for risk management	3,433	7,758	4,780	-	15,971
Deposits from banks	333,531	51	4,826	55	338,463
Deposits from customers	26,455,901	1,746,855	15,049,977	300,300	43,553,033
Loans from banks and other financial institutions	62,501	-	369,677	-	432,178
Derivatives – hedge accounting	16,822	-	4,666	-	21,488
Other liabilities	369,462	52,897	487,848	2,604	912,811
Debt securities issued	480,133	-	(41)	-	480,092
Subordinated liabilities	-	-	416,326	-	416,326
Total monetary liabilities	**27,742,807**	**1,807,561**	**16,340,428**	**302,959**	**46,193,755**
Net currency position	**5,347,080**	**(1,178,039)**	**547,515**	**100,127**	**4,816,683**

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

5. FINANCIAL RISK MANAGEMENT (continued)

Bank

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

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

Bank

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2020 are presented below:

In RON thousand	RON	USD	EUR	OTHER	Total
Monetary assets					
Cash and cash with Central Bank	5,743,421	78,616	4,993,491	38,251	10,853,779
Loans and advances to banks at amortised cost	124,931	13,170	829,447	3,618	971,166
Derivative assets held for risk management	-	42	687	-	729
Trading assets	337,215	-	17,056	-	354,271
Financial assets mandatorily at fair value through profit or loss	305,425	24,995	17,007	31,719	379,146
Investment securities at fair value through other comprehensive income	1,804,812	39,843	1,306,229	-	3,150,884
Equity instruments at fair value through other comprehensive income	11,678	33,311	-	-	44,989
Investment in subsidiaries, associates and joint ventures	107,166	-	-	-	107,166
Loans and advances to customers at amortised cost*	20,133,608	397,602	7,360,427	329,214	28,220,851
Fair value changes of the hedged items-Asset	6,181	-	4,268	-	10,449
Investment securities at amortised cost	3,914,484	41,911	1,956,210	-	5,912,605
Other assets	181,549	-	47,371	285	229,205
Total monetary assets	**32,670,470**	**629,490**	**16,532,193**	**403,087**	**50,235,240**
Monetary liabilities					
Trading liabilities	21,024	-	2,369	-	23,393
Derivative liabilities held for risk management	3,433	7,758	4,780	-	15,971
Deposits from banks	333,531	51	4,826	55	338,463
Deposits from customers	26,278,704	1,746,855	15,069,069	300,300	43,394,928
Loans from banks and other financial institutions	17,657	-	-	-	17,657
Derivatives – Hedge accounting	16,822	-	4,666	-	21,488
Other liabilities	358,207	52,885	487,795	2,604	901,491
Debt securities issued	480,133	-	-41	-	480,092
Subordinated liabilities	-	-	416,326	-	416,326
Total monetary liabilities	**27,509,511**	**1,807,549**	**15,989,790**	**302,959**	**45,609,809**
Net currency position	**5,160,959**	**(1,178,059)**	**542,403**	**100,128**	**4,625,431**

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

Derivative financial instruments used by the Group to mitigate currency risk include foreign exchange swaps.

5. FINANCIAL RISK MANAGEMENT (continued)

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risk, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities. This definition includes legal risk, but excludes strategic and reputational risk.

Legal risk is a component of the operational risk and is defined as the risk due to non-observance of the legal or statutory requirements and/or inaccurately drafted contracts and their execution due to lack of diligence in applying the respective law or a delay in reacting to changes in legal framework conditions.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The main responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirement for inclusion of operational risk responsibilities in each job position;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risk faced by the Group, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

f) Capital management

The National Bank of Romania (NBR) regulates and monitors the capital requirements at individual level and at group level.

Regulation (EU) no 575/2013 of the European Parliament and of the Council requires that the Group maintain a minimum Common Equity Tier 1 capital ratio of 4.5%, a minimum Tier 1 capital ratio of 6% and a minimum total capital ratio of 8%. The capital adequacy ratio is calculated dividing total Group's own funds to the total risk weighted assets (Note 42).

Capital allocation

a) Credit risk: Starting with July 1st, 2009, the method for the risk weighted assets applied by the Group is internal ratings based approach for Raiffeisen Bank non-retail exposures. Starting with December 1st, 2013, Raiffeisen Bank received National Bank of Romania approval for calculating capital requirements for credit risk related to retail portfolio using advanced internal ratings based approach (AIRB). For the subsidiaries portfolios the method used is the standard approach.

b) Market risk: The Group calculates the capital requirements for market risk and for the trading book using the standard model.

c) Operational Risk: Starting with 2010, the Group calculates the capital requirements for operational risk capital using the standard approach.

The Group complies with the regulatory requirements regarding capital adequacy as at 31 December 2021 and 2020, being above the minimum required values. For actual capital ratios, refer to *Note 42.*

6. USE OF ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the given circumstances.

Impairment allowance on loans and advances

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

The impairment of assets accounted for at amortized cost is described in *accounting policy 3j (ix)*.

To determine the impairment allowances sensitivity to changes in risk parameters (adjusted value of real estate collateral, probability of default) underlying provisioning computation, the Group has drawn up the following scenarios:

First scenario assumes changes in loss given default and price guarantees for retail real estate portfolio for the entire portfolio, taking into account a variation of +/-5%. In this scenario the provision for loan impairment loss would have been increased by RON 34,810 thousand (2020: increased by RON 30,738 thousand) or decreased by RON 36,262 thousand (2020: decreased by RON 31,001 thousand).

Second scenario assumes PD variation of +/-5%. In this scenario the provision for loan impairment loss would have been increased by RON 12,925 thousand (2020: increased by 20,835 thousand RON) or decreased by RON 12,279 thousand (2020: decreased by RON 20,809 thousand|).

Third scenario assumes for Non-Retail aggregation assumptions of the previous scenarios and for Retail assumes changes of forward looking scenario weights from 50/25/25 to 25/25/50. In this scenario the provision for loan impairment loss would have been increased by RON 14,544 thousand (2020: increased by RON 12,966 thousand) or decreased by RON 9,882 thousand (2020: decreased by RON 8,650 thousand).

Parameters change by +/-5% is done in relation to the values used in provision calculation for December 2021 figures (December 2020).

Fair value of financial instruments

The fair value of financial instruments that are not traded on an active market (for example, unlisted treasury securities, bonds and certificates of deposit) is determined using valuation techniques. The Group uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at statement of financial position date. The Group has used discounted cash flow analysis for the equity instruments that were not traded in active markets.

Valuation of financial instruments

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

- Level 1: Quoted market price in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;

6. USE OF ESTIMATES AND JUDGMENTS (continued)

Valuation of financial instruments (continued)

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group measures fair values mainly using valuation techniques based on observable inputs, i.e. all significant inputs are directly or indirectly observable from market data. Valuation techniques include net present value and discounted cash flow models, as well as other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, bond yields, foreign currency exchange rates, expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognized valuation models for determining the fair value of common and simpler financial instruments, like interest rate and currency swaps, foreign exchange forwards and swaps, that use only observable market data and require little management judgment and estimation.

Observable prices and model inputs are usually available in the market for bonds and simple over the counter derivatives. Availability of these reduces the need for management judgment and estimations and also reduces the uncertainty associated with determination of fair values.

For bonds valuation the Group uses prices or yields which are observable in the market, quotes published by Central Bank or quotes received upon request from third parties.

For more complex instruments, like over the counter foreign exchange options or interest rate options, the Group uses valuation models, which are usually developed from recognized valuation models. These models also use inputs, which are observable in the markets.

The valuation techniques used to determine the fair value of customers' loans and deposits not measured at fair value and disclosed in the notes consider unobservable inputs and assumptions, such as the specific credit risk and contractual characteristics of the portfolios, but also observables inputs, the benchmark interest rates for recent originated portfolios.

The fair value of the unimpaired customer loans was determined based on the cash flows estimated to be generated by the portfolio. These amounts were discounted using the interest rates that would be currently offered to clients for similar products (the available offer as of the valuation date or loans granted during the last 3 months), by considering the characteristics of each loan, namely product type, currency, remaining tenor, interest rate type, customer segmentation and for non-retail clients also risk indicators based on the industry in which they are currently developing their activity. For the products no longer in the Group's offer, and for which no current market (observed interest rates) are available, following assumptions were used: similar products' prevailing margins for discounting, adjusted with the relevant market rate index correspondent to the particular products' currencies, the swap points required for the currency conversion (if applicable) and remaining tenors.

For the impaired loan portfolio, a similar discounted cash flow calculation resulted in a fair value calculation that can be approximated by the net book value.

The fair value of deposits from customers was determined based on the interest rate differential of the current portfolio as of the end of the reporting period and the prevailing interest rates offered by the Bank, during the last three months from the financial period ended. For the term deposits, a discounted cash flows calculation was performed using for discounting the weighted average margins pertaining to the new deposits opened during the last month of the reporting period, based on their specific characteristics like tenors, currencies and client types similar to the structure of the portfolio subject to the fair value calculation and current market yield.

6. USE OF ESTIMATES AND JUDGMENTS (continued)

Valuation of financial instruments (continued)

The fair value of the current accounts and savings accounts from clients was estimated to be equal to the book value, with no evidence of product characteristics requiring a different value than the one currently in accounting books.

For the borrowings, the Group performed a discounted cash flows analysis in order to estimate the fair value. The discount factor consisted of the initially calibrated spread, the liquidity curve at valuation date and the risk free rate at valuation date.

COVID-19

Following the outbreak of the COVID-19 pandemic, many businesses may face liquidity shortages and difficulties in timely payment of their commitments. This has an impact on the credit institutions, as delays in the repayment of the credit obligations may lead to an increase in the non-performing loans on credit institutions' balance sheets.

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

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

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

At the end of 2020, the Government has extended the legislative moratoria, as required by the Government Emergency Ordinance no. 227/2020. The eligible debtors are those who meet the following criteria:

- Were not granted during 2020 any form of public and / or private moratoria which suspended their installments for a period of nine months. If such a moratoria was granted, the debtor is eligible for the remaining period until a total suspension period of 9 months applied to all forms of moratoria;
- Have their revenues / collections decreased by at least 25%;
- Are not insolvent;
- Do not have any overdue amounts at the date of request.

The deadline for applying to this programme was March 15, 2021.

In addition to the legislative measures, the Bank has implemented internal programmes for payment deferral, for supporting the customers facing liquidity shortages.

As of December 31, 2021, the Bank has approved to 34,859 customers a form of payment deferral.

The national aid package of state guarantees and interest subsidies to support the financing of the SME sector under the IMM INVEST loan facility programme of EUR 3 billion package approved in 2020 was supplemented by EUR 3 billion.in 2021. More specifically, the eligible customers receive grants in the form of interest and fees for the loans originated within this programme. As of 31 December 2021, a number of 3,716 applications have been approved by the BANK, amounting to financed amounts of RON 2,469 million. The interest and related fees subject to the grant are an integral part of the gross carrying amount of respective loans and as of December 2021, they are in amount of RON 39.3 million. For the expected loss calculation, they are considered as receivables from the government.

6. USE OF ESTIMATES AND JUDGMENTS (continued)

COVID-19 (continued)

Given the COVID-19 situation, the macro-economic forecast was adjusted four times for RETAIL and two times for Non Retail in 2021. Overall, improvement of the macroeconomic scenarios is expected in the following years, as compared to December 2020 macro-economic forecast.

At group level, for **non-retail** portfolio due to the uncertainties triggered by the Covid-19 outbreak, the methodology of impairment estimation was continually revised and adapted to support a prudent approach and to capture the expected credit risk evolution. During 2021 Non Retail impairment methodology was revised as follows:

- parameters un-freeze and update;
- extend the methodology regarding impact of forward looking information: PD and LGD parameters were modelled based on the industry matrix , factoring in the specific industry classification for each country;
- Special risk factors were implemented to adjust the model results with estimations regarding additional potential loss, not captured by the current model parameters; for Bank the highest overlay applied is related to retarted Stage 3 migration, since very low default rates/ NPEs were recorded during the pandemics, possibly on account of the extensive support measures available for legal entities.

The cumulated effect during 2021 for the measures described above and the update of the macro-economic forecast is an increase by EUR 0.05 million in provision amount for Stage 1&2 non-retail portfolio.

In order to maintain an adequate provisioning coverage for **Retail** portfolio 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:

- adding holistic treatment based on industry risk and potential risk of public and private moratorium. Until the end of year 2020, the approach was reviewed and in light of observed data (default events for expired moratoria) it was substituted with a more accurate estimation through on overlay amount/ post model adjustment applied for not expired moratoria for Retail and part of Non-retail portfolio; moreover, in 2021 an additional overlay amount was implemented for RETAIL customers with OUG227 moratorium.
- adjusting in a conservative manner the rating allocation system for public and private moratorium exposures of retail clients, considering the impact of COVID crisis, triggering adequate staging

Starting with March 2021, an overlay provision amount was introduced on **Retail** portfolio subject to OUG227 moratoria measures, which estimates the probability to migrate in Stage 3 after the moratorium expires (the same principle and treatment used for OUG37 moratoria was applied). The impact in Stage 2 provisions was EUR 0.4 million for personal individual loans and EUR 0.4 million for micro loans. Therefore, the total moratorium overlay was increased from EUR 11 million to EUR 12 million, out of which EUR 6.2 million for personal individual loans and EUR 5.8 million micro loans.

Based on evolution of 90+/default entries until May 2021 and since that there was no observed data up to 12 months from moratorium expiration at that moment, the moratoria monitoring period was extended from 4 months to 12 months. Starting with August 2021, Retail moratoria monitoring period was extended from 12 months to 24 months to have a complete imagine over the moratoria performance and capture their full effects.

7. FINANCIAL ASSETS AND LIABILITIES

The table below analyses financial instruments at fair value and at carrying amount by using the valuation methods described in *Note 6*:

Group

In RON thousand **31 December 2021**	Note	Level 1	Level 2	Level 3	Total	Carrying amount
Assets						
Financial instruments measured at fair value						
Trading assets, out of which:	18	116,259	18,915	-	**135,174**	**135,174**
Debt securities		*116,259*	-	-	*116,259*	*116,259*
Foreign exchange contracts		-	*17,900*	-	*17,900*	*17,900*
Interest rate swaps		-	*1,015*	-	*1,015*	*1,015*
Derivative assets held for risk management	19	-	8,305	-	**8,305**	**8,305**
Financial assets mandatorily at fair value through profit or loss, out of which:	26	14,526	29,009	214,373	**257,908**	**257,908**
Loans and advances to customers		-	-	*214,373*	***214,373***	***214,373***
Debt instruments issued by financial institutions		*14,526*	*29,009*	-	*43,535*	*43,535*
Investment securities at fair value through other comprehensive income, out of which:	22	3,333,589	327,155	-	**3,660,744**	**3,660,744**
Bonds issued by the Government of Romania		*3,333,589*	-	-	***3,333,589***	***3,333,589***
Bonds issued by public sector		-	*327,155*	-	***327,155***	***327,155***
Equity instruments at fair value through other comprehensive income	23	36,371	-	13,395	**49,766**	**49,766**
Financial instruments for which fair value is disclosed						
Cash and cash wih Central Bank	17	11,288,325	-	-	**11,288,325**	**11,288,325**
Loans and advances to banks at amortised cost	20	1,518,422	-	-	**1,518,422**	**1,518,422**
Loans and advances to customers at amortised cost	21	-	-	33,511,474	**33,511,474**	**32,973,112**
Investment securities at amortised cost	24	8,401,175	1,043	-	**8,402,218**	**8,550,464**
Other assets	28	-	-	264,684	**264,684**	**264,684**
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	-	20,861	-	**20,861**	**20,861**
Derivative liabilities held for risk management	19	-	3,268	-	**3,268**	**3,268**
Fair value changes of the hedged items-liability	27	-	3,466	-	**3,466**	**3,466**
Derivatives – hedge accounting	27	-	8,298	-	**8,298**	**8,298**
Financial instruments for which fair value is disclosed						
Deposits from banks	32	357,562	-	-	**357,562**	**357,562**
Deposits from customers	33	-	-	49,665,732	**49,665,732**	**49,702,577**
Loans from banks and other financial institutions	34	-	-	345,187	**345,187**	**345,077**
Debt securities issued	34	-	2,117,878	-	**2,117,878**	**2,118,575**
Subordinated liabilities	34	-	-	348,721	**348,721**	**323,334**
Other liabilities	35	-	-	1,082,770	**1,082,770**	**1,082,770**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

The table below analyses financial instruments at fair value and at carrying amount by using the valuation methods described in *Note 6*:

In RON thousand	Note	Level 1	Level 2	Level 3	Total	Carrying amount
31 December 2020						
Assets						
Financial instruments measured at fair value						
Trading assets, out of which:	18	330,076	24,195	-	**354,271**	**354,271**
Debt securities		*330,076*	-	-	*330,076*	*330,076*
Foreign exchange contracts		-	*21,857*	-	*21,857*	*21,857*
Interest rate swaps		-	*2,338*	-	*2,338*	*2,338*
Derivative assets held for risk management	19	-	729	-	**729**	**729**
Financial assets mandatorily at fair value through profit or loss, out of which:	26	14,701	24,995	354,151	**393,847**	**393,847**
Loans and advances to customers		-	-	*354,151*	*354,151*	*354,151*
Debt instruments issued by financial institutions		*14,701*	*24,995*	-	*39,696*	*39,696*
Investment securities at fair value through other comprehensive income, out of which:	22	2,880,739	331,789	-	**3,212,528**	**3,212,528**
Bonds issued by the Government of Romania		*2,841,071*	-	-	*2,841,071*	*2,841,071*
Bonds issued by credit institutions		*39,668*	-	-	*39,668*	*39,668*
Bonds issued by public sector		-	*331,789*	-	*331,789*	*331,789*
Equity instruments at fair value through other comprehensive income	23	33,311	-	11,678	**44,989**	**44,989**
Fair value changes of the hedged items-asset	27	-	10,449	-	**10,449**	**10,449**
Financial instruments for which fair value is disclosed						
Cash and cash wih Central Bank	17	10,854,199	-	-	**10,854,199**	**10,854,199**
Loans and advances to banks at amortised cost	20	972,059	-	-	**972,059**	**972,059**
Loans and advances to customers at amortised cost	21	-	-	29,915,555	**29,915,555**	**28,773,060**
Investment securities at amortised cost	24	6,343,829	4,685	-	**6,348,514**	**6,095,709**
Other assets	28	-	-	241,044	**241,044**	**241,044**
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	-	23,393	-	**23,393**	**23,393**
Derivative liabilities held for risk management	19	-	15,971	-	**15,971**	**15,971**
Derivatives – hedge accounting	27	-	21,488	-	**21,488**	**21,488**
Financial instruments for which fair value is disclosed						
Deposits from banks	32	338,463	-	-	**338,463**	**338,463**
Deposits from customers	33	-	-	43,553,235	**43,553,235**	**43,553,033**
Loans from banks and other financial institutions	34	-	-	432,598	**432,598**	**432,178**
Debt securities issued	34	-	480,962	-	**480,962**	**480,092**
Subordinated liabilities	34	-	-	449,371	**449,371**	**416,326**
Other liabilities	35	-	-	912,811	**912,811**	**912,811**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

The table below analyses financial instruments at fair value and at carrying amount by using the valuation methods described in *Note 6:*

Bank

In RON thousand	Note	Level 1	Level 2	Level 3	Total	Carrying amount
31 December 2021						
Assets						
Financial instruments measured at fair value						
Trading assets, out of which:	18	116,259	18,915	-	**135,174**	**135,174**
Debt securities		*116,259*	-	-	*116,259*	*116,259*
Foreign exchange contracts		-	*17,900*	-	*17,900*	*17,900*
Interest rate swaps		-	*1,015*	-	*1,015*	*1,015*
Derivative assets held for risk management	19	-	8,305	-	8,305	8,305
Financial assets mandatorily at fair value through profit or loss, out of which:	26	-	29,009	214,373	**243,382**	**243,382**
Loans and advances to customers		-	-	*214,373*	214,373	214,373
Debt instruments issued by financial institutions		-	*29,009*	-	*29,009*	*29,009*
Investment securities at fair value through other comprehensive income, out of which:	22	3,236,661	327,155	-	**3,563,816**	**3,563,816**
Bonds issued by the Government of Romania		*3,236,661*	-	-	*3,236,661*	*3,236,661*
Bonds issued by other public sector		-	*327,155*	-	***327,155***	***327,155***
Equity instruments at fair value through other comprehensive income	23	36,371	-	13,395	**49,766**	**49,766**
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	11,285,168	-	-	**11,285,168**	**11,285,168**
Loans and advances to banks at amortised cost	20	1,504,874	-	-	**1,504,874**	**1,504,874**
Loans and advances to customers at amortised cost	21	-	-	33,038,116	**33,038,116**	**32,499,754**
Investment securities at amortised cost	24	8,266,434	-	-	**8,266,434**	**8,414,355**
Other assets	28	-	-	246,614	**246,614**	**246,614**
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	-	20,861	-	**20,861**	**20,861**
Derivative liabilities held for risk management	19	-	3,268	-	**3,268**	**3,268**
Fair value changes of the hedged items-liability	27	-	3,466	-	**3,466**	**3,466**
Derivatives – Hedge accounting	27	-	8,298	-	**8,298**	**8,298**
Financial instruments for which fair value is disclosed						
Deposits from banks	32	357,562	-	-	**357,562**	**357,562**
Deposits from customers	33	-	-	49,604,564	**49,604,564**	**49,641,409**
Loans from banks and other financial institutions	34	-	-	8,722	**8,722**	**8,611**
Debt securities issued	34	-	2,117,878	-	**2,117,878**	**2,118,575**
Subordinated liabilities	34	-	-	348,721	**348,721**	**323,334**
Other liabilities	35	-	-	1,077,430	**1,077,430**	**1,077,430**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

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

In RON thousand	Note	Level 1	Level 2	Level 3	Total	Carrying amount
31 December 2020						
Assets						
Financial instruments measured at fair value						
Trading assets, out of which:	18	330,076	24,195	-	**354,271**	**354,271**
Debt securities		*330,076*	*-*	*-*	*330,076*	*330,076*
Foreign exchange contracts		*-*	*21,857*	*-*	*21,857*	*21,857*
Interest rate swaps		*-*	*2,338*	*-*	*2,338*	*2,338*
Derivative assets held for risk management	19	-	729	-	**729**	**729**
Financial assets mandatorily at fair value through profit or loss, out of which:	26	-	24,995	354,151	**379,146**	**379,146**
Loans and advances to customers		*-*	*-*	*354,151*	*354,151*	*354,151*
Debt instruments issued by financial institutions		*-*	*24,995*	*-*	*24,995*	*24,995*
Investment securities at fair value through other comprehensive income, out of which:	22	2,819,095	331,789	-	**3,150,884**	**3,150,884**
Bonds issued by the Government of Romania		*2,779,427*	*-*	*-*	*2,779,427*	*2,779,427*
Bonds issued by credit institutions		*39,668*			*39,668*	*39,668*
Bonds issued by other public sector		*-*	*331,789*	*-*	*331,789*	*331,789*
Equity instruments at fair value through other comprehensive income	23	33,311	-	11,678	**44,989**	**44,989**
Fair value changes of the hedged items-Asset	27	-	10,449	-	**10,449**	**10,449**
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	10,853,779	-	-	**10,853,779**	**10,853,779**
Loans and advances to banks at amortised cost	20	971,166	-	-	**971,166**	**971,166**
Loans and advances to customers at amortised cost	21	-	-	29,363,346	**29,363,346**	**28,220,851**
Investment securities at amortised cost	24	6,161,220	-	-	**6,161,220**	**5,912,605**
Other assets	28	-	-	229,206	**229,206**	**229,206**
Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	-	23,393	-	**23,393**	**23,393**
Derivative liabilities held for risk management	19	-	15,971	-	**15,971**	**15,971**
Derivatives – Hedge accounting	27	-	21,488	-	**21,488**	**21,488**
Financial instruments for which fair value is disclosed						
Deposits from banks	32	338,463	-	-	**338,463**	**338,463**
Deposits from customers	33	-	-	43,395,129	**43,395,129**	**43,394,928**
Loans from banks and other financial institutions	34	-	-	18,077	**18,077**	**17,657**
Debt securities issued	34	-	480,962	-	**480,962**	**480,092**
Subordinated liabilities	34	-	-	449,371	**449,371**	**416,326**
Other liabilities	35	-	-	901,491	**901,491**	**901,491**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

The below table presents the measurements categories for financial instruments:

Group

In RON thousand **31 December 2021**	**Note**	**Held for trading**	**Mandatorily at fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortised cost**	**Total carrying amount**	**Fair value**
Financial assets							
Cash and cash with Central Bank	17	-	-	-	11,288,325	11,288,325	11,288,325
Trading assets	18	135,174	-	-	-	135,174	135,174
Derivative assets held for risk management	19	8,305	-	-	-	8,305	8,305
Financial assets mandatorily at fair value through profit or loss	26	-	257,908	-	-	257,908	257,908
Loans and advances to banks at amortised cost	20	-	-	-	1,518,422	1,518,422	1,518,422
Loans and advances to customers at amortised cost	21	-	-	-	32,973,112	32,973,112	33,511,474
Investment securities	22,24	-	-	3,710,510	8,550,464	12,260,974	12,112,728
Other assets	28	-	-	-	264,684	264,684	264,684
Total financial assets		**143,479**	**257,908**	**3,710,510**	**54,595,007**	**58,706,904**	**59,097,020**
Financial liabilities							
Trading liabilities	18	20,861	-	-	-	20,861	20,861
Derivative liabilities held for risk management	19	3,268	-	-	-	3,268	3,268
Fair value changes of the hedged items-Liability	27	3,466	-	-	-	3,466	3,466
Derivatives – Hedge accounting	27	8,298	-	-	-	8,298	8,298
Deposits from banks	32	-	-	-	357,562	357,562	357,562
Deposits from customers	33	-	-	-	49,702,577	49,702,577	49,665,732
Loans from banks and other financial institutions	34	-	-	-	345,077	345,077	345,187
Debt securities issued	34	-	-	-	2,118,575	2,118,575	2,117,878
Subordinated liabilities	34	-	-	-	323,334	323,334	348,721
Other liabilities	35	-	-	-	1,082,770	1,082,770	1,082,770
Total financial liabilities		**35,893**	**-**	**-**	**53,929,895**	**53,965,788**	**53,953,743**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

The below table presents the measurements categories for financial instruments:

Group

In RON thousand **31 December 2020**	Note	Held for trading	Mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Financial assets							
Cash and cash with Central Bank	17	-	-	-	10,854,199	10,854,199	10,854,199
Trading assets	18	354,271	-	-	-	354,271	354,271
Derivative assets held for risk management	19	729	-	-	-	729	729
Financial assets mandatorily at fair value through profit or loss	26	-	393,847	-	-	393,847	393,847
Loans and advances to banks at amortised cost	20	-	-	-	972,059	972,059	972,059
Loans and advances to customers at amortised cost	21	-	-	-	28,773,060	28,773,060	29,915,555
Investment securities	22,24	-	-	3,257,517	6,095,709	9,353,226	9,606,031
Fair value changes of the hedged items-Asset	27	10,449	-	-	-	10,449	10,449
Other assets	28				241,044	241,044	241,044
Total financial assets		**365,449**	**393,847**	**3,257,517**	**46,936,071**	**50,952,884**	**52,348,184**
Financial liabilities							
Trading liabilities	18	23,393	-	-	-	23,393	23,393
Derivative liabilities held for risk management	19	15,971	-	-	-	15,971	15,971
Derivatives – Hedge accounting	27	21,488	-	-	-	21,488	21,488
Deposits from banks	32	-	-	-	338,463	338,463	338,463
Deposits from customers	33	-	-	-	43,553,033	43,553,033	43,553,235
Loans from banks and other financial institutions	34	-	-	-	432,178	432,178	432,598
Debt securities issued	34	-	-	-	480,092	480,092	480,962
Subordinated liabilities	34	-	-	-	416,326	416,326	449,371
Other liabilities	35	-	-	-	912,811	912,811	912,811
Total financial liabilities		**60,852**	**-**	**-**	**46,132,903**	**46,193,755**	**46,228,292**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

The below table presents the measurements categories for financial instruments:

Bank

In RON thousand **31 December 2021**	**Note**	**Held for trading**	**Mandatorily at fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortised cost**	**Total carrying amount**	**Fair value**
Financial assets							
Cash and cash with Central Bank	17	-	-	-	11,285,168	11,285,168	11,285,168
Trading assets	18	135,174	-	-	-	135,174	135,174
Derivative assets held for risk management	19	8,305	-	-	-	8,305	8,305
Financial assets mandatorily at fair value through profit or loss	26	-	243,382	-	-	243,382	243,382
Loans and advances to banks at amortised cost	20	-	-	-	1,504,874	1,504,874	1,504,874
Loans and advances to customers at amortised cost	21	-	-	-	32,499,754	32,499,754	33,038,116
Investment securities	22,24	-	-	3,613,582	8,414,355	12,027,937	11,880,016
Other assets	28	-	-	-	246,614	246,614	246,614
Total financial assets		**143,479**	**243,382**	**3,613,582**	**53,950,765**	**57,951,208**	**58,341,649**
Financial liabilities							
Trading liabilities	18	20,861	-	-	-	20,861	20,861
Derivative liabilities held for risk management	19	3,268	-	-	-	3,268	3,268
Fair value changes of the hedged items-Liability	27	3,466	-	-	-	3,466	3,466
Derivatives – Hedge accounting	27	8,298	-	-	-	8,298	8,298
Deposits from banks	32	-	-	-	357,562	357,562	357,562
Deposits from customers	33	-	-	-	49,641,409	49,641,409	49,604,564
Loans from banks and other financial institutions	34	-	-	-	8,611	8,611	8,722
Debt securities issued	34	-	-	-	2,118,575	2,118,575	2,117,878
Subordinated liabilities	34	-	-	-	323,334	323,334	348,721
Other liabilities	35	-	-	-	1,077,430	1,077,430	1,077,430
Total financial liabilities		**35,893**	**-**	**-**	**53,526,921**	**53,562,814**	**53,550,770**

7. FINANCIAL ASSETS AND LIABILITIES (continued)

The below table presents the measurements categories for financial instruments:

Bank

In RON thousand **31 December 2020**	**Note**	**Held for trading**	**Mandatorily at fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortised cost**	**Total carrying amount**	**Fair value**
Financial assets							
Cash and cash with Central Bank	17	-	-	-	10,853,779	10,853,779	10,853,779
Trading assets	18	354,271	-	-	-	354,271	354,271
Derivative assets held for risk management	19	729		-	-	729	729
Financial assets mandatorily at fair value through profit or loss	26	-	379,146	-		379,146	379,146
Loans and advances to banks at amortised cost	20	-		-	971,166	971,166	971,166
Loans and advances to customers at amortised cost	21	-		-	28,220,851	28,220,851	29,363,346
Investment securities	22,24	-		3,195,873	5,912,605	9,108,478	9,357,093
Fair value changes of the hedged items-Asset	27	10,449		-	-	10,449	10,449
Other assets	28	-	-	-	229,206	229,206	229,206
Total financial assets		**365,449**	**379,146**	**3,195,873**	**46,187,607**	**50,128,075**	**51,519,185**
Financial liabilities							
Trading liabilities	18	23,393		-	-	23,393	23,393
Derivative liabilities held for risk management	19	15,971		-	-	15,971	15,971
Derivatives – Hedge accounting	27	21,488		-	-	21,488	21,488
Deposits from banks	32	-		-	338,463	338,463	338,463
Deposits from customers	33	-		-	43,394,928	43,394,928	43,395,129
Loans from banks and other financial institutions	34	-		-	17,657	17,657	18,077
Debt securities issued	34	-		-	480,092	480,092	480,962
Subordinated liabilities	34	-		-	416,326	416,326	449,371
Other liabilities	35				901,491	901,491	901,491
Total financial liabilities		**60,852**	**-**	**-**	**45,548,957**	**45,609,809**	**45,644,345**

8. NET INTEREST INCOME

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Interest income				
Current accounts and loans and advances to banks	11,363	11,928	11,961	11,938
Loans and advances to customers *(i)*	1,615,615	1,620,527	1,617,670	1,621,914
Investments measured at fair value through other comprehensive income	95,026	76,494	92,713	74,143
Investment securities measured at amortised cost	212,366	174,681	206,011	165,889
Negative interest on financial liabilities	24	53	24	53
Total interest income computed using effective interest rate	**1,934,394**	**1,883,683**	**1,928,379**	**1,873,937**
Finance leasing activity	38,352	41,276	-	-
Total interest income	**1,972,746**	**1,924,959**	**1,928,379**	**1,873,937**
Interest expense and similar charges				
Deposits from banks	(10,579)	(9,255)	(10,579)	(9,255)
Deposits from customers	(64,055)	(92,072)	(62,506)	(88,765)
Debt securities issued	(33,722)	-	(33,722)	-
Loans from banks and subordinated liabilities	(45,483)	(51,597)	(42,588)	(46,516)
Leasing	(2,782)	(3,388)	(2,668)	(3,255)
Negative interest on financial assets	(21,015)	(19,000)	(21,015)	(19,000)
Other	(740)	-	(740)	-
Total interest expense	**(178,376)**	**(175,312)**	**(173,818)**	**(166,791)**
Net interest income	**1,794,370**	**1,749,647**	**1,754,561**	**1,707,146**

(i) The amount of interest income from impaired loans amounts to RON 24,458 thousand (31 December 2020: RON 28,244 thousand).

9. NET FEE AND COMMISSION INCOME

In RON thousand	Group		Bank	
	2021	2020	2021	2020
Fee and commission income				
Transactions from payments transfer business	608,231	620,239	608,231	620,239
Loans administration and guarantee issuance	66,576	63,577	66,365	62,559
Asset management fee (i)	47,194	38,431	-	-
Commissions from insurance premium collections(ii)	67,370	51,827	67,370	51,827
Finance leasing administration	10,508	9,362	-	-
Commissions for buying/selling cash	927	1,460	927	1,460
Other (iii)	20,421	19,449	27,908	25,515
Total fee and commission income	**821,227**	**804,345**	**770,801**	**761,600**
Fees and commissions expense				
Commissions for payment transfers	(235,720)	(267,579)	(235,720)	(267,635)
Loan and guarantees received from banks	(8,082)	(8,308)	(8,082)	(8,308)
For transactions with investment securities	(1,337)	(1,100)	(1,068)	(930)
Other	(273)	28	(153)	-
Total fee and commission expense	**(245,412)**	**(277,015)**	**(245,023)**	**(276,873)**
Net fee and commission income	**575,815**	**527,330**	**525,778**	**484,727**

(i) The caption "Asset management fees" includes fees obtained by Raiffeisen Asset Management S.A. from its customers and are based on the value of assets under management.

(ii) The caption "Commissions from insurance premium collections" represents fees earned by the Bank for the intermediation of insurance policies between its customers and insurance companies.

(iii) Under "Other", the Group records mainly fees for its custody activity.

10. NET TRADING INCOME

In RON thousand	Group		Bank	
	2021	2020	2021	2020
Net trading income from:				
Currency based instruments (i), out of which:	*355,273*	*324,688*	*356,152*	*325,001*
▪ Gain/(loss) from foreign exchange derivative transactions	11,244	(3,654)	11,244	(3,654)
▪ Net gain on revaluation of monetary assets and foreign currency transactions	344,029	328,342	344,908	328,655
Interest rate instruments (ii), out of which:	*4,233*	*8,754*	*4,233*	*8,754*
▪ Net trading result from government securities and corporate debt securities	628	17,026	628	17,026
▪ Interest rate swaps gain/(loss)	3,605	(8,272)	3,605	(8,272)
Net trading income	**359,506**	**333,442**	**360,385**	**333,755**

(i) Net foreign exchange income from currency based transactions includes gains and losses from spot and forward contracts, money market instruments, currency swaps and from the translation of foreign currency assets and liabilities.

(ii) Net trading income from interest rate instruments includes the net result on trading in government securities, corporate debt securities and interest rate swaps.

11. OTHER OPERATING INCOME

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Revenues from additional leasing services	3,110	1,695	-	-
Reversal of other provisions	7,904	-	7,904	-
Dividend income	1,481	1,696	23,234	41,447
Revenues from IT services	-	2,374	-	2,374
Income from repossessed assets	2,153	600	2,153	600
Sundry income *(i)*	13,560	18,677	15,213	18,413
Total	**28,208**	**25,042**	**48,504**	**62,834**

(i) In "sundry income" position, the Group includes revenues from: incentives received from its partners from cards usage, various recoveries on sundry debtors previously written-off, liabilities of the Bank which reached the prescription term and were derecognised etc.

12. OPERATING EXPENSES

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Office space expenses *(i)*	60,745	65,710	58,968	64,450
IT repairs and maintenance	126,617	113,775	121,834	109,053
Depreciation and amortization (Note 30 and 31)	228,248	231,836	225,293	228,834
Deposit insurance fees *(ii)*	11,623	13,236	11,623	13,236
Resolution fund fee *(iii)*	37,001	31,417	36,922	31,242
Security expenses	60,874	94,752	60,864	94,742
Advertising	62,231	67,430	60,822	66,074
Charge of litigation provision *(iv)*	99,803	52,418	41,287	52,418
Legal, advisory and consulting expenses	45,664	64,739	43,456	62,873
Postal and telecommunication expenses	66,711	52,555	66,293	52,140
Office supplies	35,717	32,734	35,547	32,570
Sundry operating expenses	54,918	21,250	51,300	17,184
Charge of other provisions	3,488	47,269	3,286	40,503
Training expenses for staff	7,603	9,754	7,260	9,637
Travelling expenses	2,445	(363)	2,314	(455)
Transport costs	5,441	5,178	5,023	4,783
Other taxes (v)	40,578	5,374	38,616	3,603
Total	**949,707**	**909,064**	**870,708**	**882,887**

(i) The amounts under "Office space expenses" include mainly cleaning, security expenses and the VAT related to the rental paid invoices.

12. OPERATING EXPENSES (continued)

(ii) The Bank pays annually contributions to the Bank Deposit Guarantee Fund for guaranteed deposits. Guaranteed deposits represent any credit balance, including the due interest, which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution must repay in the legal and contractual conditions applicable. Examples of guaranteed deposits are: time deposits, current accounts, savings accounts, debit/credit card accounts.

(iii) The Bank pays contribution to resolution fund for liabilities not covered, respectively for liabilities (excluding own funds) less covered deposits. The liability to pay these levies is recognized when they become constructive. In this case, the obligation arises annually on January 1, as the Bank performs activities related to deposits received.

The expense with deposit insurance fees and resolution fund fee is recognised in the year when paid.

(iv) Under the caption "Charge of litigation provision" the Group presents the expense with legal disputes, as further disclosed in *note 36 Provisions*.
(v) Under the caption "Other taxes" the Group presents the movement in provision for tax audit (please see note 28 Other assets)

External auditor expense:

Group: The expense with statutory audit of financial statements as at December 31, 2021 was in amount of RON 2,206 thousand (December 31, 2020: RON 1,433 thousand), the expense with assurance services as at December 31, 2021 was in amount of RON 123 thousand (December 31, 2020: RON 218 thousand), and the expense with non-assurance services as at December 31, 2021 was in amount of RON 73 thousand (December 31, 2020: RON 205 thousand).

Bank: The expense with statutory audit of financial statements as at December 31, 2021 was in amount of RON 1,497 thousand (December 31, 2020: RON 1,177 thousand), the expense with assurance services as at December 31, 2021 was in amount of RON 123 thousand (December 31, 2020: RON 76 thousand), and the expense with non-assurance services as at December 31, 2021 was in amount of RON 74 thousand (December 31, 2020: RON 206 thousand).

13. PERSONNEL EXPENSE

In RON thousand	Group		Bank	
	2021	**2020**	**2021**	**2020**
Salary expense	564,309	607,715	536,891	579,696
Social contributions	18,588	18,453	18,035	17,781
Other staff expenses	30,141	37,163	29,105	36,191
Expenses for defined benefit pension plans	25,427	-	25,427	-
Long term employee benefits (i)	4,397	2,945	4,331	2,874
Total	**642,862**	**666,276**	**613,789**	**636,542**

i) The long term benefits for employees for 2020 also include the provision for benefits granted on retirement as a one-off compensation which in 2021 was reclassified as defined benefit plan.

The number of employees at Group level as at 31 December 2021 was 4,798 (31 December 2020: 5,013). The number of employees at Bank level as at 31 December 2021 was 4.632 (31 December 2020: 4.935).

14. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Group	31 December 2021				
In RON thousand	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Loans and advances to customers at amortised cost	30,930	(5,404)	12,440	(1,940)	36,026
Loan commitments and financial guarantees	(19,342)	(4,854)	(1,941)	-	(26,137)
Investment securities at amortised cost	(359)	-	-	-	(359)
Loans written-off	-	-	11,428	-	11,428
Recoveries from loans and advances to customers	-	-	(11,314)	-	(11,314)
Total non-retail	**11,229**	**(10,258)**	**10,613**	**(1,940)**	**9,644**
Retail					
Loans and advances to customers at amortised cost	(3,354)	30,260	92,624	(7,251)	112,279
Loan commitments and financial guarantees	60	-	(493)	-	(433)
Loans written-off	-	-	11,073	-	11,073
Recoveries from loans and advances to customers	-	-	(24,426)	-	(24,426)
Total retail	**(3,294)**	**30,260**	**78,778**	**(7,251)**	**98,493**
Total	**7,935**	**20,002**	**89,391**	**(9,191)**	**108,137**

Group	31 December 2020				
In RON thousand	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Loans and advances to banks at amortised cost	2	-	-	-	2
Loans and advances to customers at amortised cost	19,400	98,764	(2,964)	(11,561)	103,639
Loan commitments and financial guarantees	16,761	4,293	2,346	-	23,400
Investment in subsidiaries, associates and joint ventures	-	-	(2,686)	-	(2,686)
Investment securities at amortised cost	923		-	-	923
Loans written-off	68	37	448	-	553
Recoveries from loans and advances to customers	-	-	(6,118)	-	(6,118)
Total non-retail	**37,154**	**103,094**	**(8,974)**	**(11,561)**	**119,713**
Retail					
Loans and advances to customers at amortised cost	36,563	33,920	122,909	(3,330)	190,062
Loan commitments and financial guarantees	(663)	212	2,156	-	1,705
Loans written-off	0	4,252	29,195	-	33,447
Recoveries from loans and advances to customers	-	-	(29,397)	-	(29,397)
Total retail	**35,900**	**38,384**	**124,863**	**(3,330)**	**195,817**
Total	**73,054**	**141,478**	**115,889**	**(14,891)**	**315,530**

14. IMPAIRMENT LOSSES ON FINANCIAL ASSETS (continued)

Bank	**31 December 2021**				
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
Loans and advances to customers at amortised cost	34,437	(8,347)	16,903	(1,940)	41,053
Loan commitments and financial guarantees	(19,342)	(4,854)	(1,941)	-	(26,137)
Investment in subsidiaries, associates and joint ventures	-	-	70,645	-	70,645
Investment securities at amortised cost	(359)	-	-	-	(359)
Loans written-off	-	-	9,669	-	9,669
Recoveries from loans and advances to customers	-	-	(11,314)	-	(11,314)
Total non-retail	**14,736**	**(13,201)**	**83,962**	**(1,940)**	**83,557**
Retail					
Loans and advances to customers at amortised cost	(2,692)	30,336	92,944	(7,251)	113,337
Loan commitments and financial guarantees	60	-	(493)	-	(433)
Loans written-off	-	-	11,073	-	11,073
Recoveries from loans and advances to customers	-	-	(23,971)	-	(23,971)
Total retail	**(2,632)**	**30,336**	**79,553**	**(7,251)**	**100,006**
Total	**12,104**	**17,135**	**163,515**	**(9,191)**	**183,563**

Bank	**31 December 2020**				
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
Loans and advances to banks at amortised cost	2	-	-	-	2
Loans and advances to customers at amortised cost	17,074	93,093	(6,749)	(11,561)	91,857
Loan commitments and financial guarantees	16,761	4,293	2,346	-	23,400
Investment in subsidiaries, associates and joint ventures	-	-	17,686	-	17,686
Investment securities at amortised cost	923	-	-	-	923
Loans written-off	68	37	448	-	553
Recoveries from loans and advances to customers	-	-	(6,118)	-	(6,118)
Total non-retail	**34,828**	**97,423**	**7,613**	**(11,561)**	**128,303**
Retail					
Loans and advances to customers at amortised cost	35,824	33,763	120,610	(3,330)	186,867
Loan commitments and financial guarantees	(663)	212	2,156	-	1,705
Loans written-off	-	4,252	29,195	-	33,447
Recoveries from loans and advances to customers	-	-	(28,958)	-	(28,958)
Total retail	**35,161**	**38,227**	**123,003**	**(3,330)**	**193,061**
Total	**69,989**	**135,650**	**130,616**	**(14,891)**	**321,364**

14. IMPAIRMENT LOSSES ON FINANCIAL ASSETS (continued)

The contractual amount outstanding on credit exposures that were written off and are still subject to enforcement activity during the period as of 31 December 2021 is RON 182,694 thousand (31 December 2020: RON 121,194 thousand), out of which non-retail exposures in amount of RON 69,983 thousand (31 December 2020: RON 41,563 thousand) and retail exposures in amount of RON 112,711 thousand (31 December 2020: RON 79,632 thousand).

15. INCOME TAX EXPENSE

i) INCOME TAX EXPENSE

Group

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Current tax expenses at 16% (2020:16%) of taxable profits determined in accordance with Romanian law	184,106	141,747	177,405	134,410
Adjustments recognized in the period for current tax of prior periods	462	515	462	515
Deferred tax expense / (income) (Note 29)	6,140	(8,088)	4,258	(5,445)
Expense with provision from tax inspection	38,187	-	38,187	-
Total	**228,895**	**134,174**	**220,312**	**129,480**

ii) INCOME TAX RECEIVABLE

	Group		Bank	
In RON thousand	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Current tax receivable	487	19,937	-	19,171
Non current tax receivable – Gross Book Value *	130,129	144,366	130,129	144,366
Provision for Non current tax receivable	(56,280)	(18,092)	(56,280)	(18,092)
Total	**74,336**	**146,211**	**73,849**	**145,445**

*According to IFRIC 23, as of December 31, 2021, the carrying amount of income taxes with uncertain treatment is RON 73,849 thousand (December 31, 2020: RON 126,274 thousand) and resulted from the tax audit detailed in note 28 "Other assets". This amount includes income tax (principal and related penalties). In this respect, the taxation authority represents the body that decides whether tax treatments are acceptable under tax law and might include the court.

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

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Gross profit before tax	1,047,447	770,782	1,008,772	773,619
Taxation at statutory rate of 16% (2020: 16%)	**167,592**	**123,325**	**161,404**	**123,779**
Non-deductible expenses	57,846	64,696	56,416	55,406
Non-taxable revenues	(29,924)	(27,209)	(29,201)	(26,140)
Corporate income tax before fiscal credit	**195,514**	**160,812**	**188,619**	**153,045**
Fiscal credit	(11,408)	(19,065)	(11,214)	(18,635)
Adjustments recognized in the period for current tax of prior periods *(i)*	462	515	462	515
Corporate income tax	**184,568**	**142,262**	**177,867**	**134,925**
Deferred tax expense / (income)	6,140	(8,088)	4,258	(5,445)
Income tax resulted from tax inspection	38,187	-	38,187	-
Income tax expense	**228,895**	**134,174**	**220,312**	**129,480**

(i) The adjustments recognized in the period for current tax of prior periods represent corrections on income tax statement related to prior year and which were booked in accounting after the closing process of the respective year.

The main non-taxable income is from reversal of provisions and dividends received. Non-deductible expenses are from provisions, sponsorships, accruals and other non-deductible expenses according to the Fiscal Code.

17. CASH AND CASH WITH CENTRAL BANK

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
In RON thousand				
Cash and cash equivalents	5,939,958	6,504,154	5,936,801	6,503,734
Minimum compulsory reserve	5,348,367	4,350,045	5,348,367	4,350,045
Total	**11,288,325**	**10,854,199**	**11,285,168**	**10,853,779**

The Bank maintains with the National Bank of Romania the minimum compulsory reserve established under Regulation no. 6/2002 issued by the National Bank of Romania, with subsequent amendments and addendums. As of 31 December 2021, the mandatory minimum reserve ratio was 8% (31 December 2020: 8%) for funds raised in RON and 5% (December 31, 2020: 5%) for funds in foreign currency with residual maturity of less than 2 years, at the end of the observation period. For liabilities having residual maturity over 2 years at the end of the observation period, without reimbursement, conversion or early retirement clauses, compulsory minimum reserve ratio was set at 0% (31 December 2020: 0%).

The minimum compulsory reserve can be used by the Group for daily activities but under the condition that the monthly average balance of the minimum compulsory reserve is kept within the legal limits, therefore the Group considers that this is not restrictive cash and includes the amount in cash and cash equivalents considered in Cash flow statement.

18. TRADING ASSETS / LIABILITIES

	Group		Bank	
In RON thousand	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Trading assets				
Debt instruments	116,259	330,076	116,259	330,076
Derivative financial instruments	18,915	24,195	18,915	24,195
Total	**135,174**	**354,271**	**135,174**	**354,271**
Trading liabilities				
Derivative financial instruments	20,861	23,393	20,861	23,393
Total	**20,861**	**23,393**	**20,861**	**23,393**

19. DERIVATIVES HELD FOR RISK MANAGEMENT

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

Group

31 December 2021

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

31 December 2020

In RON thousand	Notional buy	Notional sell	Fair value Assets	Fair value Liabilities
OTC products:				
Cross currency Interest rate swaps	55,464	55,464	677	650
FX swap	1,080,005	1,087,273	42	8,135
Interest rate swaps	193,082	193,082	10	7,186
Total			**729**	**15,971**

Bank

31 December 2021

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

31 December 2020

In RON thousand	Notional buy	Notional sell	Fair value Assets	Fair value Liabilities
OTC products:				
Cross currency Interest rate swaps	55,464	55,464	677	650
FX swap	1,080,005	1,087,273	42	8,135
Interest rate swaps	193,082	193,082	10	7,186
Total			**729**	**15,971**

FX swap contracts are used by the bank mainly for liquidity management. These operations are used by the bank to invest for a period of time the liquidity available in a currency by exchange it for another currency.

The fair value of derivative financial instruments is determined by discounted cash flow models using the market quotations at the valuation date. Foreign exchange transactions are measured by discounted future models using the market rates from Reuters and the fixing price of National Bank of Romania.

20. LOANS AND ADVANCES TO BANKS AT AMORTISED COST

In RON thousand	Group		Bank	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Refundable at request	42,914	33,333	17,449	20,502
Sight deposits	28,997	81,885	28,997	81,885
Term deposits	6,624	710,773	6,624	710,773
Reverse repo	1,389,951	-	1,389,951	-
Term loans	49,936	146,068	49,936	146,068
Subordinated loans	-	-	11,917	11,938
Total	**1,518,422**	**972,059**	**1,504,874**	**971,166**

Group/Bank: As at 31 December 2021, out of the total term deposits, term deposits held with commercial banks are in amount of RON 1,212 thousand (2020: RON 664,262 thousand) and collateral deposits are in amount of RON 5,412 thousand (2020: RON 46,511 thousand).

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST

The table below presents the carrying amount of credit risk exposures and corresponding impairment allowances as follows:

In RON thousand	Group		Bank	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Non-retail				
Gross exposure	14,857,330	12,561,426	14,793,090	12,425,277
Impairment allowance	(436,264)	(412,786)	(413,918)	(390,529)
Net exposure	14,421,066	12,148,640	14,379,172	12,034,748
Retail				
Gross exposure	19,496,802	17,543,163	19,046,428	17,080,281
Impairment allowance	(944,756)	(918,743)	(925,846)	(894,178)
Net exposure	18,552,046	16,624,420	18,120,582	16,186,103
Total net exposure	**32,973,112**	**28,773,060**	**32,499,754**	**28,220,851**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

Group			**2021**		
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
Gross carrying amount as at 1 January 2021	9,784,991	2,432,111	286,458	57,866	12,561,426
New assets originated or purchased	10,111,307	967,980	42,929	1,025	11,123,241
Assets derecognised or repaid (excluding write offs)	(7,582,069)	(1,250,343)	(67,291)	(8,682)	(8,908,385)
Transfers to Stage 1	847,220	(847,219)	(1)	-	-
Transfers to Stage 2	(905,441)	905,441	-	-	-
Transfers to Stage 3	(489)	(62,279)	62,768	-	-
Decrease due to write-offs	-	-	(61,070)	-	(61,070)
Foreign exchange adjustments	112,837	26,705	2,341	235	142,118
Total non-retail gross carrying amount as at 31 December 2021	**12,368,356**	**2,172,396**	**266,134**	**50,444**	**14,857,330**

In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Retail					
Gross carrying amount as at 1 January 2021	**14,450,139**	**2,109,475**	**773,355**	**210,194**	**17,543,163**
New assets originated or purchased	7,745,231	123,347	2,598	3,166	7,874,342
Assets derecognised or repaid (excluding write offs)	(4,711,598)	(935,115)	(211,450)	(19,233)	(5,877,396)
Transfers to Stage 1	1,937,347	(1,911,288)	(26,059)	-	-
Transfers to Stage 2	(3,266,605)	3,320,209	(53,604)	-	-
Transfers to Stage 3	(45,721)	(365,474)	411,195	-	-
Decrease due to write-offs	-	(22)	(94,368)	-	(94,390)
Foreign exchange adjustments	21,449	20,320	6,116	3,198	51,083
Total retail gross carrying amount as at 31 December 2021	**16,130,242**	**2,361,452**	**807,783**	**197,325**	**19,496,802**
Total gross carrying amount	**28,498,598**	**4,533,848**	**1,073,917**	**247,769**	**34,354,132**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

Group			**2020**		
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
Gross carrying amount as at 1 January 2020	10,312,855	1,236,339	298,512	92,971	11,940,677
New assets originated or purchased	4,110,825	1,000,809	-	6,094	5,117,728
Assets derecognised or repaid (excluding write offs)	(3,183,982)	(1,288,138)	(51,366)	(41,374)	(4,565,124)
Transfers to Stage 1	4,389,097	(4,389,097)	-	-	-
Transfers to Stage 2	(5,899,066)	5,899,066	-	-	-
Transfers to Stage 3	(7,878)	(41,944)	49,822	-	-
Decrease due to write-offs	-	-	(13,093)	-	(13,093)
Foreign exchange adjustments	63,140	15,076	2,583	175	80,974
Total non-retail gross carrying amount as at 31 December 2020	**9,784,991**	**2,432,111**	**286,458**	**57,866**	**12,561,426**

In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Retail					
Gross carrying amount as at 1 January 2020	12,328,789	1,884,614	603,618	211,559	15,028,580
New assets originated or purchased	4,984,329	(97,752)	-	3,166	4,889,743
Assets derecognised or repaid (excluding write offs)	(1,745,856)	(570,783)	(46,345)	(7,172)	(2,370,156)
Transfers to Stage 1	5,563,447	(5,536,118)	(27,329)	-	-
Transfers to Stage 2	(6,667,132)	6,769,000	(101,868)	-	-
Transfers to Stage 3	(41,397)	(357,649)	399,046	-	-
Decrease due to write-offs	-	-	(57,268)	-	(57,268)
Foreign exchange adjustments	27,959	18,163	3,501	2,641	52,264
Total retail gross carrying amount as at 31 December 2020	**14,450,139**	**2,109,475**	**773,355**	**210,194**	**17,543,163**
Total gross carrying amount	**24,235,130**	**4,541,586**	**1,059,813**	**268,060**	**30,104,589**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

Bank			**2021**		
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
Gross carrying amount as at 1 January 2021	9,817,307	2,281,947	268,157	57,866	12,425,277
New assets originated or purchased	10,052,919	910,968	42,929	1,025	11,007,841
Assets derecognised or repaid (excluding write offs)	(7,468,170)	(1,183,294)	(60,982)	(8,682)	(8,721,128)
Transfers to Stage 1	825,395	(825,394)	(1)	-	-
Transfers to Stage 2	(809,824)	809,824	-	-	-
Transfers to Stage 3	(488)	(54,027)	54,515	-	-
Decrease account due to write-offs	-	-	(61,018)	-	(61,018)
Foreign exchange adjustments	112,837	26,705	2,341	235	142,118
Total non-retail gross carrying amount as at 31 December 2021	**12,529,976**	**1,966,729**	**245,941**	**50,444**	**14,793,090**

In RON thousand					
Retail					
Gross carrying amount as at 1 January 2021	14,058,484	2,069,454	742,149	210,194	17,080,281
New assets originated or purchased	7,591,720	109,953	-	3,166	7,704,839
Assets derecognised or repaid (excluding write offs)	(4,577,377)	(914,943)	(183,869)	(19,233)	(5,695,422)
Transfers to Stage 1	1,935,867	(1,910,161)	(25,706)	-	-
Transfers to Stage 2	(3,232,073)	3,294,537	(62,464)	-	-
Transfers to Stage 3	(41,166)	(361,839)	403,005	-	-
Decrease due to write-offs	-	(22)	(94,368)	-	(94,390)
Foreign exchange adjustments	21,449	20,320	6,153	3,198	51,120
Total retail gross carrying amount as at 31 December 2021	**15,756,904**	**2,307,299**	**784,900**	**197,325**	**19,046,428**
Total gross carrying amount	**28,286,880**	**4,274,028**	**1,030,841**	**247,769**	**33,839,518**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

Bank			**2020**		
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
Gross carrying amount as at 1 January 2020	10,226,466	1,190,010	277,577	92,971	11,787,024
New assets originated or purchased	3,991,424	990,471	-	6,094	4,987,989
Assets derecognised or repaid (excluding write offs)	(3,073,463)	(1,257,909)	(44,898)	(41,374)	4,417,644)
Transfers to Stage 1	4,377,328	(4,377,328)	-	-	-
Transfers to Stage 2	(5,762,065)	5,762,065	-	-	-
Transfers to Stage 3	(5,523)	(40,438)	45,961	-	-
Decrease account due to write-offs	-	-	(13,066)	-	(13,066)
Foreign exchange adjustments	63,140	15,076	2,583	175	80,974
Total non-retail gross carrying amount as at 31 December 2020	**9,817,307**	**2,281,947**	**268,157**	**57,866**	**12,425,277**

In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Retail					
Gross carrying amount as at 1 January 2020	11,969,993	1,879,001	591,271	211,559	14,651,824
New assets originated or purchased	4,829,918	(101,685)	-	3,166	4,731,399
Assets derecognised or repaid (excluding write offs)	1,669,053)	(565,544)	(56,216)	(7,172)	(2,297,985)
Transfers to Stage 1	5,561,389	(5,535,428)	(25,961)	-	-
Transfers to Stage 2	(6,629,592)	6,731,002	(101,410)	-	-
Transfers to Stage 3	(32,139)	(356,055)	388,194	-	-
Decrease due to write-offs	-	-	(57,268)	-	(57,268)
Foreign exchange adjustments	27,968	18,163	3,539	2,641	52,311
Total retail gross carrying amount as at 31 December 2020	**14,058,484**	**2,069,454**	**742,149**	**210,194**	**17,080,281**
Total gross carrying amount	**23,875,791**	**4,351,401**	**1,010,306**	**268,060**	**29,505,558**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

Group			**2021**		
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
ECL allowance as at 1 January 2021	95,990	98,772	176,523	41,501	412,786
New assets originated or purchased	60,470	55,399	13,430	-	129,299
Assets derecognised or repaid (excluding write offs)	(40,086)	(54,621)	(17,820)	(625)	(113,152)
Transfers to Stage 1	39,093	(39,092)	(1)	-	-
Transfers to Stage 2	(8,489)	8,489	-	-	-
Transfers to Stage 3	(3)	(1,786)	1,789	-	-
ECL of exposures transferred between stages during the year	(18,353)	25,454	108	(2,853)	4,356
Uncollected impaired interest	-	-	(747)	661	(86)
Decrease in allowance account due to write-offs	-	-	(2)	-	(2)
Foreign exchange adjustments	541	1,054	1,400	68	3,063
Total non-retail ECL as at 31 December 2021	**129,163**	**93,669**	**174,680**	**38,752**	**436,264**

In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Retail					
ECL allowance as at 1 January 2021	93,877	200,092	580,337	44,438	918,744
New assets originated or purchased	65,898	5,492	4,662	-	76,052
Assets derecognised or repaid (excluding write offs)	(40,840)	(55,084)	(55,560)	(5,595)	(157,079)
Transfers to Stage 1	171,928	(155,951)	(15,977)	-	-
Transfers to Stage 2	(35,215)	76,987	(41,772)	-	-
Transfers to Stage 3	(583)	(62,377)	62,960	-	-
ECL of exposures transferred between stages during the year	(174,344)	203,817	174,499	3,724	207,696
Uncollected impaired interest	-	-	(948)	106	(842)
Decrease in allowance account due to write-offs	-	(22)	(108,296)	-	(108,318)
Foreign exchange adjustments	92	2,676	4,711	1,024	8,503
Total retail ECL as at 31 December 2021	**80,813**	**215,630**	**604,616**	**43,697**	**944,756**
Total impairment allowance	**209,976**	**309,299**	**779,296**	**82,449**	**1,381,020**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

Group			**2020**		
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
ECL allowance as at 1 January 2020	38,214	18,802	193,755	43,290	294,061
New assets originated or purchased	174,923	70,591	6,052	-	251,566
Assets derecognised or repaid (excluding write offs)	(126,712)	(22,515)	(33,765)	(435)	(183,427)
Transfers to Stage 1	59,052	(59,052)	-	-	-
Transfers to Stage 2	(23,936)	23,936	-	-	-
Transfers to Stage 3	(144)	(2,632)	2,776	-	-
ECL of exposures transferred between stages during the year	(25,580)	69,526	24,014	(1,445)	66,515
Uncollected impaired interest	-	-	(5,001)	37	(4,964)
Decrease in allowance account due to write-offs	-	-	(13,066)	-	(13,066)
Foreign exchange adjustments	173	116	1,758	54	2,101
Total non-retail ECL as at 31 December 2020	**95,990**	**98,772**	**176,523**	**41,501**	**412,786**

In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Retail					
ECL allowance as at 1 January 2020	95,517	157,042	534,202	46,724	833,485
New assets originated or purchased	41,540	41,210	4,897	-	87,647
Assets derecognised or repaid (excluding write offs)	(14,472)	(46,836)	(78,565)	(3,885)	(143,758)
Transfers to Stage 1	247,043	(230,769)	(16,274)	-	-
Transfers to Stage 2	(62,116)	126,363	(64,385)	138	-
Transfers to Stage 3	(568)	(68,272)	68,756	84	-
ECL of exposures transferred between stages during the year	(213,203)	219,629	179,211	324	185,961
Uncollected impaired interest	-	345	7,296	344	7,985
Decrease in allowance account due to write-offs	-	-	(57,268)	-	(57,268)
Foreign exchange adjustments	136	1,380	2,467	709	4,692
Total retail ECL as at 31 December 2020	**93,877**	**200,092**	**580,337**	**44,438**	**918,744**
Total impairment allowance	**189,867**	**298,864**	**756,860**	**85,939**	**1,331,530**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

Bank			2021		
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
ECL allowance as at 1 January 2021	94,119	94,301	160,608	41,501	390,529
New assets originated or purchased	59,376	54,765	13,430	-	127,571
Assets derecognised or repaid (excluding write offs)	(39,997)	(54,245)	(16,510)	(625)	(111,377)
Transfers to Stage 1	39,093	(39,092)	(1)	-	-
Transfers to Stage 2	(8,489)	8,489	-	-	-
Transfers to Stage 3	(3)	(1,786)	1,789	-	-
ECL of exposures transferred between stages during the year	(15,561)	23,129	(246)	(2,853)	4,469
Uncollected impaired interest	-	-	(747)	661	(86)
Foreign exchange adjustments	524	1,013	1,207	68	2,812
At 31 December 2021	**129,062**	**86,574**	**159,530**	**38,752**	**413,918**

In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Retail					
ECL allowance as at 1 January 2021	87,843	200,669	561,285	44,447	894,244
New assets originated or purchased	64,347	5,264	4,653	-	74,264
Assets derecognised or repaid (excluding write offs)	(39,954)	(54,749)	(52,607)	(5,595)	(152,905)
Transfers to Stage 1	171,928	(155,951)	(15,977)	-	-
Transfers to Stage 2	(35,215)	76,987	(41,772)	-	-
Transfers to Stage 3	(583)	(62,377)	62,960	-	-
ECL of exposures transferred between stages during the year	(171,500)	203,367	175,752	3,724	211,343
Uncollected impaired interest	-	-	(948)	106	(842)
Decrease in allowance account due to write-offs	-	(22)	(108,259)	-	(108,281)
Foreign exchange adjustments	74	2,653	4,272	1,024	8,023
At 31 December 2021	**76,940**	**215,841**	**589,359**	**43,706**	**925,846**
Total impairment allowance	**206,002**	**302,415**	**748,889**	**82,458**	**1,339,764**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

Bank	2020				
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
ECL allowance as at 1 January 2020	37,455	17,645	177,487	43,290	275,877
New assets originated or purchased	174,417	70,531	6,049	-	250,997
Assets derecognised or repaid (excluding write offs)	(126,603)	(22,034)	(32,885)	(435)	(181,957)
Transfers to Stage 1	59,052	(59,052)	-	-	-
Transfers to Stage 2	(23,936)	23,936	-	-	-
Transfers to Stage 3	(144)	(2,632)	2,776	-	-
ECL of exposures transferred between stages during the year	(26,281)	65,794	18,728	(1,445)	56,796
Uncollected impaired interest	-	-	-	37	37
Decrease in allowance account due to write-offs	-	-	(13,066)	-	(13,066)
Foreign exchange adjustments	159	113	1,519	54	1,845
At 31 December 2020	**94,119**	**94,301**	**160,608**	**41,501**	**390,529**

In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Retail					
ECL allowance as at 1 January 2020	91,593	157,612	521,473	46,724	817,402
New assets originated or purchased	39,217	41,148	3,600	-	83,965
Assets derecognised or repaid (excluding write offs)	(14,254)	(46,785)	(77,966)	(3,876)	(142,881)
Transfers to Stage 1	247,043	(230,769)	(16,274)	-	-
Transfers to Stage 2	(62,116)	126,363	(64,385)	138	-
Transfers to Stage 3	(568)	(68,272)	68,756	84	-
ECL of exposures transferred between stages during the year	(213,177)	219,647	173,734	324	180,528
Uncollected impaired interest	-	345	7,296	344	7,985
Decrease in allowance account due to write-offs	-	-	(57,268)	-	(57,268)
Foreign exchange adjustments	105	1,380	2,319	709	4,513
At 31 December 2020	**87,843**	**200,669**	**561,285**	**44,447**	**894,244**
Total impairment allowance	**181,962**	**294,970**	**721,893**	**85,948**	**1,284,773**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

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

Group			**2020**		
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Retail secured					
Gross carrying amount as at 1 January 2020	13,963	85,497	229,567	46,144	375,171
New assets originated or purchased	2,963	1,472	2,152	730	7,317
Assets derecognised or repaid (excluding write offs)	(282)	(9,835)	(21,109)	(3,770)	(34,996)
Transfers to Stage 1	93,492	(87,896)	(5,596)	-	-
Transfers to Stage 2	(8,250)	35,966	(27,716)	-	-
Transfers to Stage 3	(43)	(8,967)	9,010	-	-
ECL of exposures transferred between stages during the year	(83,592)	75,944	27,296	(3,622)	16,026
Uncollected impaired interest	-	-	-	-	-
Decrease in allowance account due to write-offs	-	-	(6,655)	-	(6,655)
Foreign exchange adjustments	103	1,594	2,692	694	5,083
Total retail secured gross carrying amount as at 31 December 2020	**18,354**	**93,775**	**209,641**	**40,176**	**361,946**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

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

Bank			**2020**		
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Retail secured					
Gross carrying amount as at 1 January 2020	13,963	85,497	229,567	46,144	375,171
New assets originated or purchased	2,963	1,472	2,152	730	7,317
Assets derecognised or repaid (excluding write offs)	(282)	(9,835)	(21,109)	(3,770)	(34,996)
Transfers to Stage 1	93,492	(87,896)	(5,596)	-	-
Transfers to Stage 2	(8,250)	35,966	(27,716)	-	-
Transfers to Stage 3	(43)	(8,967)	9,010	-	-
ECL of exposures transferred between stages during the year	(83,592)	75,944	27,296	(3,622)	16,026
Uncollected impaired interest	-	-	-	-	-
Decrease in allowance account due to write-offs	-	-	(6,655)	-	(6,655)
Foreign exchange adjustments	103	1,594	2,692	694	5,083
Total retail secured gross carrying amount as at 31 December 2020	**18,354**	**93,775**	**209,641**	**40,176**	**361,946**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

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

Group	2020			
In RON thousand	Stage 1	Stage 2	Stage 3	Total
Non-retail				
Gross carrying amount as at 1 January 2020	9,165,226	348,979	163,812	9,678,017
New assets originated or purchased	6,429,484	-	-	6,429,484
Assets derecognised or repaid (excluding write offs)	(4,825,100)	(753,014)	(43,106)	(5.621.220)
Transfers to Stage 1	2,401,349	(2,401,349)	-	-
Transfers to Stage 2	(3,364,668)	3,364,668	-	-
Transfers to Stage 3	(4,809)	(6,079)	10,888	-
Foreign exchange adjustments	30,460	7,149	1,278	38,887
Total non-retail gross carrying amount as at 31 December 2020	**9,831,942**	**560,354**	**132,872**	**10,525,168**
In RON thousand	Stage 1	Stage 2	Stage 3	Total
Retail				
Gross carrying amount as at 1 January 2020	2,294,440	849,202	10,074	3,153,716
New assets originated or purchased	641,150	-	-	641,150
Assets derecognised or repaid (excluding write offs)	(388,848)	427,143	(4,542)	33,753
Transfers to Stage 1	1,110,232	(1,107,162)	(3,070)	-
Transfers to Stage 2	(1,171,049)	1,174,255	(3,206)	-
Transfers to Stage 3	(6,091)	(6,808)	12,899	-
Foreign exchange adjustments	-	298	3	301
Total retail gross carrying amount as at 31 December 2020	**2,479,834**	**1,336,928**	**12,158**	**3,828,920**
Total gross carrying amount	**12,311,776**	**1,897,282**	**145,030**	**14,354,088**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

Bank			**2021**		
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
Gross carrying amount as at 1 January 2021	9,735,319	559,910	132,316	-	10,427,545
New assets originated or purchased	11,075,042	371,127	39,904	22	11,486,095
Assets derecognised or repaid (excluding write offs)	(7,963,050)	(512,342)	(65,184)	-	(8,540,576)
Transfers to Stage 1	425,735	(425,735)	-	-	-
Transfers to Stage 2	(453,558)	453,558	-	-	-
Transfers to Stage 3	-	(5,206)	5,206	-	-
Foreign exchange adjustments	96,836	4,397	1,126	-	102,359
Total non-retail gross carrying amount as at 31 December 2021	**12,916,324**	**445,709**	**113,368**	**22**	**13,475,423**

In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**		**Total**
Retail					
Gross carrying amount as at 1 January 2021	2,454,826	1,336,928	12,160	-	3,803,914
New assets originated or purchased	515,025	42,501	1,401	3,409	562,336
Assets derecognised or repaid (excluding write offs)	(779,107)	81,797	(8,349)	-	(705,659)
Transfers to Stage 1	1,017,193	(1,013,978)	(3,215)	-	-
Transfers to Stage 2	(909,815)	913,483	(3,668)	-	-
Transfers to Stage 3	(6,804)	(6,457)	13,261	-	-
Foreign exchange adjustments	101	212	2	-	315
Total retail gross carrying amount as at 31 December 2021	**2,291,419**	**1,354,486**	**11,592**	**3,409**	**3,660,906**
Total gross carrying amount	**15,207,743**	**1,800,195**	**124,960**	**3,431**	**17,136,329**

Bank		**2020**		
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Non-retail				
Gross carrying amount as at 1 January 2020	9,103,730	348,535	162,988	9,615,253
New assets originated or purchased	6,394,357	-	-	6,394,357
Assets derecognised or repaid (excluding write offs)	(4,825,100)	(753,014)	(42,839)	(5,620,953)
Transfers to Stage 1	2,401,349	(2,401,349)	-	-
Transfers to Stage 2	(3,364,668)	3,364,668	-	-
Transfers to Stage 3	(4,809)	(6,079)	10,888	-
Foreign exchange adjustments	30,460	7,149	1,279	38,888
Total non-retail gross carrying amount as at 31 December 2020	**9,735,319**	**559,910**	**132,316**	**10,427,545**

In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Retail				
Gross carrying amount as at 1 January 2020	2,279,490	849,202	10,075	3,138,767
New assets originated or purchased	631,092	-	-	631,092
Assets derecognised or repaid (excluding write offs)	(388,848)	427,143	(4,541)	33,754
Transfers to Stage 1	1,110,232	(1,107,162)	(3,070)	-
Transfers to Stage 2	(1,171,049)	1,174,255	(3,206)	-
Transfers to Stage 3	(6,091)	(6,808)	12,899	-
Foreign exchange adjustments	-	298	3	301
Total retail gross carrying amount as at 31 December 2020	**2,454,826**	**1,336,928**	**12,160**	**3,803,914**
Total gross carrying amount	**12,190,145**	**1,896,838**	**144,476**	**14,231,459**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

Group	**31 December 2021**				
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
ECL allowance as at 1 January 2021	27,445	9,807	49,355	-	86,607
New assets originated or purchased	17,304	7,049	9,848	-	34,201
Assets derecognised or repaid (excluding write offs)	(4,070)	(2,348)	(16,032)	-	(22,450)
Transfers to Stage 1	3,038	(3,038)	-	-	-
Transfers to Stage 2	(1,429)	1,429	-	-	-
Transfers to Stage 3	-	(921)	921	-	-
Impact on changes due to change in credit risk (net)	(33,892)	(8,583)	3,185	-	(39,290)
Foreign exchange adjustments	200	69	297	-	566
Total non-retail ECL as at 31 December 2021	**8,596**	**3,464**	**47,574**	**-**	**59,634**

In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**-**	**Total**
Retail					
ECL allowance as at 1 January 2021	2,304	3,519	10,090	-	15,913
New assets originated or purchased	2,331	660	838	2,176	6,005
Assets derecognised or repaid (excluding write offs)	(407)	(1,114)	(1,440)	-	(2,961)
Transfers to Stage 1	5,806	(3,632)	(2,165)	(9)	-
Transfers to Stage 2	(650)	2,886	(2,293)	57	-
Transfers to Stage 3	(11)	(69)	76	4	-
Impact on changes due to change in credit risk (net)	(6,067)	2,952	1,650	(118)	(1,583)
Foreign exchange adjustments	-	-	1	-	1
Total retail ECL as at 31 December 2021	**3,306**	**5,202**	**6,757**	**2,110**	**17,375**
Total impairment allowance	**11,902**	**8,666**	**54,331**	**2,110**	**77,009**

Group	**31 December 2020**			
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Non-retail				
ECL allowance as at 1 January 2020	10,679	5,467	46,744	62,890
New assets originated or purchased	38,615	-	-	38,615
Assets derecognised or repaid (excluding write offs)	(3,169)	(4,079)	(13,909)	(21,157)
Transfers to Stage 1	1,161	(17,126)	15,965	-
Transfers to Stage 2	(6,870)	6,870	-	-
Transfers to Stage 3	(64)	(36)	100	-
Impact on changes due to change in credit risk (net)	(12,912)	18,664	144	5,896
Foreign exchange adjustments	5	47	311	363
Total non-retail ECL as at 31 December 2020	**27,445**	**9,807**	**49,355**	**86,607**

In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Retail				
ECL allowance as at 1 January 2020	2,967	3,306	7,933	14,206
New assets originated or purchased	3,720	-	-	3,720
Assets derecognised or repaid (excluding write offs)	(451)	(824)	(945)	(2,220)
Transfers to Stage 1	5,215	(4,754)	(461)	-
Transfers to Stage 2	(1,454)	3,561	(2,107)	-
Transfers to Stage 3	(11)	(88)	99	-
Impact on changes due to change in credit risk (net)	(7,682)	2,317	5,570	205
Foreign exchange adjustments	-	1	1	2
Total retail ECL as at 31 December 2020	**2,304**	**3,519**	**10,090**	**15,913**
Total impairment allowance	**29,749**	**13,326**	**59,445**	**102,520**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

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

Bank	**31 December 2021**				
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
ECL allowance as at 1 January 2021	27,445	9,807	49,355	-	86,607
New assets originated or purchased	16,902	7,004	9,848	-	33,754
Assets derecognised or repaid (excluding write offs)	(3,807)	(2,348)	(16,032)	-	(22,187)
Transfers to Stage 1	3,038	(3,038)	-	-	-
Transfers to Stage 2	(1,429)	1,429	-	-	-
Transfers to Stage 3	-	(921)	921	-	-
Impact on changes due to change in credit risk (net)	(33,892)	(8,583)	3,185	-	(39,290)
Foreign exchange adjustments	200	69	297	-	566
Total non-retail ECL as at 31 December 2021	**8,457**	**3,419**	**47,574**	**-**	**59,450**

In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**		**Total**
Retail					
ECL allowance as at 1 January 2021	2,304	3,519	10,090	-	15,913
New assets originated or purchased	2,102	570	838	2,176	5,686
Assets derecognised or repaid (excluding write offs)	(388)	(1,114)	(1,388)	-	(2,890)
Transfers to Stage 1	5,806	(3,632)	(2,165)	(9)	-
Transfers to Stage 2	(650)	2,886	(2,293)	57	-
Transfers to Stage 3	(11)	(69)	76	4	-
Impact on changes due to change in credit risk (net)	(6,068)	2,952	1,650	(169)	(1,635)
Foreign exchange adjustments	-	-	1	-	1
Total retail ECL as at 31 December 2021	**3,095**	**5,112**	**6,809**	**2,059**	**17,075**
Total impairment allowance	**11,552**	**8,531**	**54,383**	**2,059**	**76,525**

Bank	**31 December 2020**			
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Non-retail				
ECL allowance as at 1 January 2020	10,679	5,467	46,744	62,890
New assets originated or purchased	13,667	8,983	15,965	38,615
Assets derecognised or repaid (excluding write offs)	(3,169)	(4,079)	(13,909)	(21,157)
Transfers to Stage 1	26,109	(26,109)	-	-
Transfers to Stage 2	(6,870)	6,870	-	-
Transfers to Stage 3	(64)	(36)	100	-
Impact on changes due to change in credit risk (net)	(12,912)	18,664	144	5,896
Foreign exchange adjustments	5	47	311	363
Total non-retail ECL as at 31 December 2020	**27,445**	**9,807**	**49,355**	**86,607**

In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Retail				
ECL allowance as at 1 January 2020	2,967	3,306	7,933	14,206
New assets originated or purchased	1,786	491	1,443	3,720
Assets derecognised or repaid (excluding write offs)	(451)	(824)	(945)	(2,220)
Transfers to Stage 1	7,149	(5,245)	(1,904)	-
Transfers to Stage 2	(1,454)	3,561	(2,107)	-
Transfers to Stage 3	(11)	(88)	99	-
Impact on changes due to change in credit risk (net)	(7,682)	2,317	5,570	205
Foreign exchange adjustments	-	1	1	2
Total retail ECL as at 31 December 2020	**2,304**	**3,519**	**10,090**	**15,913**
Total impairment allowance	**29,749**	**13,326**	**59,445**	**102,520**

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Non-performing exposure, in accordance with EBA/ITS/2013/03/rev1 Regulation from July 24th 2014 with subsequent amendments, can be analysed as follows:

	Group		Bank	
In RON thousand	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Exposure	**1,192,678**	**1,191,474**	**1,149,717**	**1,142,070**
out of which retail:	876,158	818,565	853,390	815,846
out of which non-retail:	316,520	372,909	296,327	326,224
Impairment allowance	**854,984**	**826,177**	**826,718**	**793,269**
out of which retail:	650,038	592,853	636,562	591,160
out of which non-retail:	204,946	233,324	190,156	202,109
Net Book Value	**337,694**	**365,297**	**322,999**	**348,801**
out of which retail:	226,120	225,712	216,828	224,686
out of which non-retail:	111,574	139,585	106,171	124,115

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

During the financial year 2021, the following existing loans were modified,and have not resulted in derecognition

Group *In Ron thousand*	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Amortised cost before modification	313,582	95,381	38,556	1,507	449,026
Net modification gain/loss	(5,913)	(2,419)	(993)	(36)	(9,361)
Amortised cost after modification	307,669	92,962	37,563	1,471	439,665

Bank *In Ron thousand*	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Amortised cost before modification	313,582	95,381	38,556	1,507	449,026
Net modification gain/loss	(5,913)	(2,419)	(993)	(36)	(9,361)
Amortised cost after modification	307,669	92,962	37,563	1,471	439,665

During the financial year 2020, the following existing loans were modified,and have not resulted in derecognition

Group *In Ron thousand*	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Amortised cost before modification	828,156	135,593	20,804	9,442	993,995
Net modification gain/loss	(20,521)	(3,024)	(495)	(151)	(24,191)
Amortised cost after modification	807,635	132,569	20,309	9,291	969,804

Bank *In Ron thousand*	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Amortised cost before modification	828,156	135,593	20,804	9,442	993,995
Net modification gain/loss	(20,521)	(3,024)	(495)	(151)	(24,191)
Amortised cost after modification	807,635	132,569	20,309	9,291	969,804

21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Financial lease

The Group acts as a lessor in finance lease contracts for vehicles, equipment and real estate. Leasing contracts are denominated in EUR or RON and with a contract tenor of 1 to 8 years, in the case of vehicle lease contracts and 1 to 10 years in case or real estate lease. The transfer of ownership rights is at the maturity of the contract. The interest applicable to lease contracts is variable or fixed and is computed for the entire tenor of the contract. The corresponding receivables are collateralized with the object of the lease contract, as well as with other type of collaterals. Loans and advances to Group's customers include the following receivables from lease contracts (the ECL for lease exposure is presented within the Group total ECL) :

In RON thousand	**31 December 2021**
Less than one year	80,167
1 to 2 years	167,314
Two to 3 years	276,778
Three to 4 years	256,604
Four to 5 years	276,050
More than 5 years	74,091
Total undiscounted lease payments receivables	**1,131,004**
Unearned finance income	(55,843)
Net investment in lease	**1,075,161**

In RON thousand	**31 December 2020**
Less than one year	85,678
1 to 2 years	136,232
Two to 3 years	247,452
Three to 4 years	286,710
Four to 5 years	215,731
More than 5 years	90,202
Total undiscounted lease payments receivables	**1,062,005**
Unearned finance income	(34,131)
Net investment in lease	**1,027,874**

22. INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Bank	
In RON thousand	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Stage 1				
Bonds issued by the Government of Romania	3,333,589	2,841,071	3,236,661	2,779,427
Bonds issued by other public sector	295,014	281,289	295,014	281,289
Bonds issued by credit institutions	23,578	39,668	23,578	39,668
Total	**3,652,181**	**3,162,028**	**3,555,253**	**3,100,384**
Stage 2				
Bonds issued by other public sector	8,563	50,500	8,563	50,500
Total	**8,563**	**50,500**	**8,563**	**50,500**
Total investment securities at fair value through other comprehensive income	**3,660,744**	**3,212,528**	**3,563,816**	**3,150,884**

Treasury securities issued by the Government of Romania include discount and coupon securities denominated in RON. Discount treasury bills bear fixed interest rates. As at December 31 2021, treasury securities amounting to RON 73,495 thousand (31 December 2020: RON 180,355 thousand) are pledged as security in order to comply with National Bank of Romania prudential regulations for settlement of inter-banking operations. Income from debt instruments is recognized in interest and similar income.

Bonds issued by the Government of Romania include bonds issued by the Ministry of Finance denominated in RON, EUR and USD, bearing fixed interest rate between 0.45% p.a. and 6.75% p,a.

Bonds issued by other public sector and by credit institutions are valued using valuation models based on observable inputs (Level II), while the rest of the instruments are valued based on quoted market prices (Level I).

23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Bank	
In RON thousand	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Unquoted equity instruments	13,395	11,678	13,395	11,678
Quoted equity instruments	36,371	33,311	36,371	33,311
Total equity instruments at fair value through other comprehensive income	**49,766**	**44,989**	**49,766**	**44,989**

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

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. The Group received dividends at 31 December 2021 amounting to RON 1,481 thousand (2020: RON 1,696 thousand).

23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

The Group holds shares in Visa Inc., a company providing payment services for Visa cards. As of January 1, 2020, the Group corrected the classification of its shares in Visa Inc. from "at fair value through other comprehensive income" category, into "mandatorily at fair value through profit and loss" category. The shares representing Series C Preferred Stock are restricted from sale, but are convertible into Class A Common Stock of Visa Inc in a maximum period of 12 years from the date in which they were granted. Due to the fact that at initial recognition it was not known the exact number of Class A shares they are converted into, they were reclassified into debt instruments instead of equity. The total reclassified amount was RON 48,228 thousand, which represented the fair value of the shares as of December 31, 2019.

During 2020, part of the Series C Preferred Stock were converted into Class A Common Stock. The converted shares were classified into "at fair value through other comprehensive income" category.

24. INVESTMENT SECURITIES AT AMORTISED COST

	Group		Bank	
In RON thousand	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Stage 1				
Bonds issued by credit institutions	244,236	77,840	243,193	73,196
Bonds issued by the Government of Romania quoted	5,061,011	5,411,162	4,935,625	5,232,702
Bonds issued by the Government of Romania unquoted	3,245,217	606,707	3,235,537	606,707
Total investment securities at amortised cost	**8,550,464**	**6,095,709**	**8,414,355**	**5,912,605**

At 31 December 2021, the Group has one micro hedge relationship and the hedged instrument is a debt security at amortised cost. The carrying amount of the hedged item is RON 32,762 thousand (2020: RON 33,937 thousand).

As at 31 December 2021, bonds issued by the Government of Romania amounting to RON 109,249 (2020: RON 0 thousand) are pledged as security in order to comply with National Bank of Romania prudential regulations for settlement of inter-banking operations.

25. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Subsidiaries, associates and joint ventures

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Balance at 1 January	**29,419**	**17,780**	**157,803**	**175,965**
Additions (i)	-	11,900	89,999	26,900
Disposals	-	-	-	(45,062)
Group's share of gain from associates	2,824	(261)	-	-
Total	**32,243**	**29,419**	**247,802**	**157,803**
Impairment allowance (i)	-	-	(121,282)	(50,637)
Balance at 31 December	**32,243**	**29,419**	**126,520**	**107,166**

25. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

(i) Following the legal provisions made by Aedificium Banca pentru Locuinte (ABL) in respect of its litigation with the Romanian Court of Auditors (further detailed in Note 36 Provisions), the result was that ABL needed increase in capital in order to comply with capital adequacy internal limit. As such during 2021 the increase in share capital of ABL was in amount of RON 89,999 RON. The additional capital would allow ABL to continue its operations, considering the current estimate of the litigation.

The Group's interests in its associates that are unlisted are as follows:

In RON thousands	Assets	Liabilities	Revenues	Interest income	Interest expense	Income taxes	Profit	Net assets	Interest held%	% Net assets	Carrying amount
31 December 2021											
Fondul de Garantare a Creditului Rural IFN SA	780,616	725,283	20,179	1,240	430	-	1,292	55,333	33.33%	18,442	18,729
CIT One	99,220	58,236	176,602	-	1,025	151	8,412	40,984	33.33%	13,660	13,514
31 December 2020											
Fondul de Garantare a Creditului Rural IFN SA	785,511	731,285	19,766	1,161	62	389	1,738	54,226	33.33%	18,074	18,360
CIT One	75,155	41,546	130,308	0	982	-	(5,309)	33,609	33.33%	11,202	11,058

26. FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

The table below shows the split of total financial assets mandatorily at fair value through profit or loss:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Loans and advances to customers	214,373	354,151	214,373	354,151
Debt instruments	43,535	39,696	29,009	24,995
Total	**257,908**	**393,847**	**243,382**	**379,146**

Group: Net gains on non-trading financial assets mandatorily at fair value through profit or loss for the period ended December 31st, 2021 are in amount of RON (13,352) thousand (2020: RON 17,866 thousand).

Bank: Net gains on non-trading financial assets mandatorily at fair value through profit or loss for the period ended December 31st, 2021 are in amount of RON (13,178) thousand (2020: RON 17,366 thousand).

27. FAIR VALUE CHANGES OF THE HEDGED ITEMS-HEDGE ACCOUNTING

The Bank applies both micro and macro fair value hedge.

For the micro fair value hedge, the Bank uses as hedging instrument interest rate swaps, while the hedged items are debt securities at amortised cost. The total accumulated amount of fair value adjustments of the hedged item and hedging instrument are disclosed under "Fair value changes of the hedged items - hedge accounting" position, respectively "Derivatives – hedge accounting position" in the statement of financial position.

The gain resulted from this hedge relationship at 31 December 2021 is RON 9 thousand, while at 31 December 2020 the Bank incurred a net loss of RON 93 thousand. The remaining term for the hedging item is more than 5 years (February 2030).

The macro fair value hedge started in 2020 and the Bank uses as hedging instruments four interest rate swaps, while the hedged item is a loan portfolio at amortised cost.

The total accumulated amount of fair value adjustments of hedged item and hedging instruments are disclosed under "Fair value changes of the hedged items - hedge accounting", respectively "Derivatives – hedge accounting position" in the statement of financial position.

The net gain resulted from this hedge relationship at 31 December 2021 is RON 1,836, while at 31 December 2020 the gain is RON 894 thousand. The remaining term for the hedging items is less than 5 years.

The tables below provide more information regarding the hedged items and hedging instruments:

31 December 2021

In RON thousand	**Carrying amount of hedged items**		**Accumulated amount of fair value adjustments on the hedged items**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Micro fair value hedges				
Debt securities	32,762	-	-	-
	32,762	**-**	**-**	**-**
Macro fair value hedges				
Loan portfolio measured at amortised cost	324,234	-	-	3,466
	324,234	**-**	**-**	**3,466**
Total	**356,996**	**-**	**-**	**3,466**

27. FAIR VALUE CHANGES OF THE HEDGED ITEMS-HEDGE ACCOUNTING (CONTINUED)

31 December 2020

In RON thousand	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges				
Debt securities	33,937		4,268	
	33,937		**4,268**	**-**
Macro fair value hedges				
Loan portfolio measured at amortised cost	379,474		6,181	
	379,474		**6,181**	**-**
Total	**413,411**	**-**	**10,449**	**-**

In RON thousand	31 December 2021		31 December 2020	
	Notional amount	Liabilities	Notional amount	Liabilities
Micro fair value hedges				
Interest rate swap	29,689	3,003	29,216	4,666
	29,689	**3,003**	**29,216**	**4,666**
Macro fair value hedges				
Interest rate swaps	125,000	5,295	125,000	16,822
	125,000	**5,295**	**125,000**	**16,822**
Total	**154,689**	**8,298**	**154,216**	**21,488**

During the period, the results of the hedge effectiveness assessments showed that the hedge relationships were effective. No situations of hedge ineffectiveness were identified.

28. OTHER ASSETS

In RON thousand	Group		Bank	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Prepayments	35,630	130,292	29,447	124,886
Tax audit *(i)*	85,383	-	85,383	-
Clearing claims from payment transfer business *(ii)*	241,283	71,747	241,283	71,747
Sundry debtors *(iii)*	127,295	109,603	109,225	103,171
Inventories	6,691	4,783	6,653	4,741
Repossessed assets	24,741	34,272	24,337	22,860
Gross Book Value	**521,023**	**350,697**	**496,328**	**327,405**
Impairment	**(113,767)**	**(81,518)**	**(113,767)**	**(81,518)**
Net Book Value	**407,256**	**269,179**	**382,561**	**245,887**

i) In the period December 2017 – May 2019, the Bank had been subject to a fiscal audit from Romanian Tax Authority (further called "ANAF"). The object of the audit was income tax (period 2011-2016) and withholding tax (period 2013-2016). The fiscal audit report indicated total additional charges of RON 262,413 thousand which includes income tax, withholding tax and related penalties. The Bank has paid all the charges resulting from the fiscal inspection. In response, the Bank submitted an administrative appeal against the inspection report, requesting its cancellation. During 2020, the Bank received the answer to the appeal according to which the Bank is entitled to receive back 10% of all charges included in the tax report. The Bank continued legal procedures for the recovery of the remaining amounts and initiated a litigation in this respect.

As of 31 December 2021 the maximum exposure related to fiscal audit is RON 195,965 thousand resulted from:
(+) RON 262,413 thousand, total charges as result of tax audit paid by the Bank in 2019
(-) RON 27,605 thousand, refund from the administrative appeal resolution received in 2020
(-) RON 38,689 thousand, refund to be received for year 2011 that should not have been in the scope of audit.

Based on the facts and documents presented to the tax authority concerning certain operations that were the object of the control performed by the tax authority, considering the reclassification/qualifications made by the tax authority, and considering the opinions issued by the tax advisers and by the law firm that represents the bank in the litigation against the tax authority, the Bank increased the provision for the tax audit as of December 2021. The Bank recognised as of December 2021 additional provision in amount of RON 74,981 thousand, in addition to the amounts of RON 35,283 thousand reflected in 2020.

The amounts receivable from the tax audit are presented under two balance sheet positions: other assets (the part representing withholding taxes and related penalties) and income tax receivable (the part representing income tax and related penalties). As of December 31, 2021, the amounts reflected under other assets is RON 31,398 thousand (December 31, 2020: 79,516 thousand), while the amount reflected under income tax receivable is RON 73,849 thousand (December 31, 2020: RON 126,274 thousand).

ii) Clearing claims from payment transfer business include amounts to be settled as of December 31, like: cards transactions of RON 95,155 thousand (2020: RON 64,328 thousand), sales and purchase of cash of RON 25,184 thousand (2020: RON 0 thousand), Western Union transactions in course of settlement of RON 231 thousand (2020: RON 584 thousand) and others.

28. OTHER ASSETS (continued)

iii) Sundry debtors include various receivables such for: services provided by the bank to its customers (such as for cash transportation), advances paid to suppliers, amounts receivables as a result of operational incidents etc.

In the tables below is presented the movement in impairment of other assets position:

Group

In RON thousand	**Impairment as at 1 January 2021**	**Increase**	**Decrease**	**Impairment as at 31 December 2021**
Sundry debtors	53,407	6,973	(10,472)	49,908
Tax audit	17,191	36,794	-	53,985
Repossesed assets	10,552	-	(837)	9,715
Inventory	368	49	(258)	159
Total	**81,518**	**43,816**	**(11,567)**	**113,767**

Group

In RON thousand	**Impairment as at 1 January 2020**	**Increase**	**Decrease**	**Impairment as at 31 December 2020**
Sundry debtors	48,868	17,084	(12,545)	53,407
Tax audit	-	17,191	-	17,191
Repossesed assets	7,420	3,132	-	10,552
Inventory	2,640	924	(3,196)	368
Total	**58,928**	**38,331**	**(15,741)**	**81,518**

Bank

In RON thousand	**Impairment as at 1 January 2021**	**Increase**	**Decrease**	**Impairment as at 31 December 2021**
Sundry debtors	53,407	6,973	(10,472)	49,908
Tax audit	17,191	36,794	-	53,985
Repossesed assets	10,552	-	(837)	9,715
Inventory	368	49	(258)	159
Total	**81,518**	**43,816**	**(11,567)**	**113,767**

Bank

In RON thousand	**Impairment as at 1 January 2020**	**Increase**	**Decrease**	**Impairment as at 31 December 2020**
Sundry debtors	48,868	17,084	(12,545)	53,407
Tax audit	-	17,191	-	17,191
Repossesed assets	7,420	3,132	-	10,552
Inventory	2,640	924	(3,196)	368
Total	**58,928**	**38,331**	**(15,741)**	**81,518**

28. OTHER ASSETS (continued)

In the tables below is presented the split of other assets to customers by their quality:

In RON thousand	Group		Bank	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Financial assets	264,684	170,659	246,614	147,409
Non-financial assets	142,572	98,520	135,947	98,478
Total	**407,256**	**269,179**	**382,561**	**245,887**

Of which:

In RON thousand	Group		Bank	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Current assets	218,312	80,306	200,242	57,056
Impaired assets	46,372	90,353	46,372	90,353
Total	**264,684**	**170,659**	**246,614**	**147,409**

29. DEFERRED TAX

Deferred tax assets of the Group are attributable to the items detailed in the tables below:

Group

In RON thousand	31 December 2021			
	Assets	**Liabilities**	**Net**	**Deferred tax asset/(liability)**
Property, plant and equipment and intangible assets	1,175	100,665	(99,490)	(15,918)
Other liabilities	166,570	-	166,570	26,651
Valuation reserve financial assets (FVOCI)	141,414	20,468	120,946	19,351
Provisions for liabilities and charges	128,165	-	128,165	20,507
Total	**437,324**	**121,133**	**316,191**	**50,591**

Group

In RON thousand	31 December 2020			
	Assets	**Liabilities**	**Net**	**Deferred tax asset/(liability)**
Property, plant and equipment and intangible assets	1,081	61,973	(60,892)	(9,743)
Other liabilities	123,571	-	123,571	19,771
Valuation reserve financial assets (FVOCI)	4,321	70,909	(66,588)	(10,654)
Provisions for liabilities and charges	170,291	-	170,291	27,247
Total	**299,264**	**132,882**	**166,382**	**26,621**

29. DEFERRED TAX (continued)

Deferred tax assets of the Bank are attributable to the items detailed in the tables below:

Bank

	31 December 2021			
In RON thousand	Assets	Liabilities	Net	Deferred tax asset/(liability)
Property, plant and equipment and intangible assets	1,175	100,665	(99,490)	(15,918)
Other liabilities	166,570	-	166,570	26,651
Valuation reserve financial assets (FVOCI)	141,414	20,468	120,946	19,351
Provisions for liabilities and charges	107,158	-	107,158	17,145
Total	**416,317**	**121,133**	**295,184**	**47,229**

Bank

	31 December 2020			
In RON thousand	Assets	Liabilities	Net	Deferred tax asset/(liability)
Property, plant and equipment and intangible assets	1,081	61,973	(60,892)	(9,743)
Other liabilities	123,571	-	123,571	19,771
Valuation reserve financial assets (FVOCI)	4,321	70,909	(66,588)	(10,654)
Provisions for liabilities and charges	138,172	-	138,172	22,108
Total	**267,145**	**132,882**	**134,263**	**21,482**

Expenses and income deferred tax as at December 31, 2021 are attributable to the items detailed in the table below:

	Group		Bank	
In RON thousand	2021	2020	2021	2020
Property, plant and equipment and intangible assets	(6,176)	116	(6,176)	116
Valuation reserve financial assets	-	615	-	615
Other liabilities	6,880	7,045	6,880	6,699
Provisions for liabilities and charges	(6,844)	312	(4,962)	(1,985)
Deferred tax income / (expense)	**(6,140)**	**8,088**	**(4,258)**	**5,445**

Deferred tax related to items recognised in other comprehensive income during the year is due to unrealised gain/loss on financial assets (FVOCI).

30. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Group

In RON thousand	Land and buildings	Furniture and computer equipment	Motor vehicles	Assets in progress	Right-of-Use assets Land and buildings	Total
Cost:						
Balance at 1 January 2020	**201,782**	**422,884**	**37,318**	**35,956**	**442,432**	**1,140,372**
Additions	-	14,977	1,727	58,281	76,916	151,901
Transfers	8,435	47,587	3,605	(59,627)	-	-
Disposals	(12,522)	(54,202)	(4,273)	-	(13,086)	(84,083)
Balance at 31 December 2020	**197,695**	**431,246**	**38,377**	**34,610**	**506,262**	**1,208,190**
Balance at 1 January 2021	**197,695**	**431,246**	**38,377**	**34,610**	**506,262**	**1,208,190**
Additions	2	3,024	781	34,254	35,177	73,238
Transfers	7,027	31,235	-	(38,262)	-	-
Disposals	(6,706)	(14,712)	(2,240)	-	(15,289)	(38,947)
Balance at 31 December 2021	**198,018**	**450,793**	**36,918**	**30,602**	**526,150**	**1,242,481**
Depreciation and impairment losses:						
Balance at 1 January 2020	**159,480**	**273,912**	**25,412**	**0**	**92,998**	**551,802**
Charge for the year	9,934	47,638	5,750	3,767	92,405	159,494
Disposals	(12,084)	(46,968)	(4,161)	-	(5,672)	(68,885)
Balance at 31 December 2020	**157,330**	**274,582**	**27,001**	**3,767**	**179,731**	**642,411**
Balance at 1 January 2021	**157,330**	**274,582**	**27,001**	**3,767**	**179,731**	**642,411**
Charge for the year	10,401	57,861	4,637	344	88,378	161,621
Disposals	(7,242)	(13,562)	(2,032)	-	(16,430)	(39,266)
Balance at 31 December 2021	**160,489**	**318,881**	**29,606**	**4,111**	**251,679**	**764,766**
Carrying amounts:						
At 1 January 2020	**42,302**	**148,972**	**11,906**	**35,956**	**349,434**	**588,570**
At 31 December 2020	**40,365**	**156,664**	**11,376**	**30,843**	**326,531**	**565,779**
At 1 January 2021	**40,365**	**156,664**	**11,376**	**30,843**	**326,531**	**565,779**
At 31 December 2021	**37,529**	**131,912**	**7,312**	**26,491**	**274,471**	**477,715**

Under "Assets in progress" category, the Group includes investments in branch redesign, technological equipment, vehicles and furniture, which are not yet put in function.

30. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Bank

In RON thousand	Land and buildings	Furniture and computer equipment	Motor vehicles	Assets in progress	Right-of-Use assets Land and buildings	Total
Cost:						
Balance at 1 January 2020	**201,760**	**423,317**	**34,956**	**32,098**	**442,432**	**1,134,563**
Additions	-	13,958	1,252	58,281	76,916	150,407
Transfers	8,435	47,587	3,605	(59,627)	-	-
Disposals	(12,522)	(53,077)	(3,816)	-	(13,086)	(82,501)
Balance at 31 December 2020	**197,673**	**431,785**	**35,997**	**30,752**	**506,262**	**1,202,469**
Balance at 1 January 2021	**197,673**	**431,785**	**35,997**	**30,752**	**506,262**	**1,202,469**
Additions	-	2,849	781	34,254	35,177	73,061
Transfers	7,027	31,235	-	(38,262)	-	-
Disposals	(6,706)	(14,721)	(2,240)	-	(15,289)	(38,956)
Balance at 31 December 2021	**197,994**	**451,148**	**34,538**	**26,744**	**526,150**	**1,236,574**
Depreciation and impairment losses:						
Balance at 1 January 2020	**159,395**	**272,803**	**23,121**	**-**	**92,998**	**548,317**
Charge for the year	9,934	47,164	5,135	3,767	91,659	157,659
Disposals	(12,084)	(46,316)	(3,780)	-	(4,926)	(67,106)
Balance at 31 December 2020	**157,245**	**273,651**	**24,476**	**3,767**	**179,731**	**638,870**
Balance at 1 January 2021	**157,245**	**273,651**	**24,476**	**3,767**	**179,731**	**638,870**
Charge for the year	10,217	57,470	4,069	(402)	88,378	159,732
Disposals	(6,317)	(13,611)	(2,032)	-	(16,430)	(38,390)
Balance at 31 December 2021	**161,145**	**317,510**	**26,513**	**3,365**	**251,679**	**760,212**
Carrying amounts:						
At 1 January 2020	**42,365**	**150,514**	**11,835**	**32,098**	**349,434**	**586,246**
At 31 December 2020	**40,428**	**158,134**	**11,521**	**26,985**	**326,531**	**563,599**
At 1 January 2021	**40,428**	**158,134**	**11,521**	**26,985**	**326,531**	**563,599**
At 31 December 2021	**36,849**	**133,638**	**8,025**	**23,379**	**274,471**	**476,362**

Group: Purchases of property, plant and equipment during year 2021 were in amount of RON 38,061 thousand (2020: RON 74,985 thousand).

Bank: Purchases of property, plant and equipment during year 2021 were in amount of RON 37,884 thousand (2020: RON 73,491 thousand).

30. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Movement in the Right of Use Assets is detailed in the table below:

In RON thousand	Group Land and buildings	Bank Land and buildings
Balance at 1 January 2021	**326,531**	**326,531**
Additions	9,759	9,759
Depreciation expense	(71,809)	(71,809)
Disposals and other decreases	(19,544)	(19,544)
Contractual changes	29,534	29,534
Balance at 31 December 2021	**274,471**	**274,471**

In RON thousand	Group Land and buildings	Bank Land and buildings
Balance at 1 January 2020	**349,434**	**349,434**
Additions	32,904	32,904
Depreciation expense	(92,405)	(92,405)
Disposals and other decreases	(7,414)	(7,414)
Contractual changes	44,012	44,012
Balance at 31 December 2020	**326,531**	**326,531**

Movement in the lease liability is detailed in the table below:

In RON thousand	Group Lease liabilities	Bank Lease liabilities
Balance at 1 January 2021	**335,493**	**335,493**
Additions	28,786	28,786
Interest expense	2,668	2,668
Disposals and other decreases	-	-
Payments	(92,579)	(92,579)
Other movements (fx, contractual changes, interest paid)	12,092	11,735
Balance at 31 December 2021	**286,460**	**286,103**

In RON thousand	Group Lease liabilities	Bank Lease liabilities
Balance at 1 January 2020	**349,992**	**349,992**
Additions	67,768	67,768
Interest expense	3,725	3,725
Disposals and other decreases	-	-
Payments	(90,202)	(90,202)
Other movements (fx, contractual changes, interest paid)	4,210	4,210
Balance at 31 December 2020	**335,493**	**335,493**

31. INTANGIBLE ASSETS

Group

In RON thousand	Purchased Software	Assets in progress	Total
Cost:			
Balance at 1 January 2020	**595,618**	**100,449**	**696,067**
Additions	1,314	141,828	143,142
Transfers	108,625	(108,625)	-
Disposals	(4,249)	(156)	(4,405)
Balance at 31 December 2020	**701,308**	**133,496**	**834,804**
Balance at 1 January 2021*	**722,825**	**133,496**	**856,321**
Additions	299	114,815	115,114
Transfers	150,427	(150,427)	-
Disposals	(10,862)	-	(10,862)
Balance at 31 December 2021*	**862,689**	**97,884**	**960,573**
Amortization and impairment losses:			
Balance at 1 January 2020	**462,555**	**-**	**462,555**
Charge for the year	72,342	-	72,342
Disposals	(4,249)	-	(4,249)
Balance at 31 December 2020	**530,648**	**-**	**530,648**
Balance at 1 January 2021*	**552,165**	**-**	**552,165**
Charge for the year	66,627	-	66,627
Disposals	(7,319)	-	(7,319)
Balance at 31 December 2021*	**611,473**	**-**	**611,473**
Carrying amounts:			
At 1 January 2020	**133,063**	**100,449**	**233,512**
At 31 December 2020	**170,660**	**133,496**	**304,156**
At 1 January 2021	**170,660**	**133,496**	**304,156**
At 31 December 2021	**251,216**	**97,884**	**349,100**

*) For opening 2021 there was a correction between Gross Book Value and Amortisation of Purchased Software in amount of Ron 21,517

The increase in intangible assets in progress is a result of the Group's strategy to continue digitalization, in order to deliver fast, easy-to-use and increasingly digitalized services to the customers.

31. INTANGIBLE ASSETS (continued)

Bank

In RON thousand	Purchased Software	Assets in progress	Total
Cost:			
Balance at 1 January 2020	**593,152**	**99,743**	**692,895**
Additions	-	141,499	141,499
Transfers	108,625	(108,625)	-
Disposals	(4,249)	-	(4,249)
Balance at 31 December 2020	**697,528**	**132,617**	**830,145**
Balance at 1 January 2021	**697,528**	**132,617**	**830,145**
Additions	-	115,093	115,093
Transfers	150,427	(150,427)	-
Disposals	(11,005)	-	(11,005)
Balance at 31 December 2021	**836,950**	**97,283**	**934,233**
Amortization and impairment losses:			
Balance at 1 January 2020	**462,755**	**-**	**462,755**
Charge for the year	71,175	-	71,175
Disposals	(4,249)	-	(4,249)
Balance at 31 December 2020	**529,681**	**-**	**529,681**
Balance at 1 January 2021	**529,681**	**-**	**529,681**
Charge for the year	65,561	-	65,561
Disposals	(7,319)	-	(7,319)
Balance at 31 December 2021	**587,923**	**-**	**587,923**
Carrying amounts:			
At 1 January 2020	**130,397**	**99,743**	**230,140**
At 31 December 2020	**167,847**	**132,617**	**300,464**
At 1 January 2021	**167,847**	**132,617**	**300,464**
At 31 December 2021	**249,027**	**97,283**	**346,310**

Group: Purchases of intangible assets during year 2021 were in amount of RON 115,114 thousand (2020: RON 143,142 thousand).

Bank: Purchases of intangible assets during year 2021 were in amount of RON 115,093 thousand (2020: RON 141,499 thousand).

32. DEPOSITS FROM BANKS

In RON thousand	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Payable on demand	357,083	337,954	357,083	337,954
Term deposits	479	509	479	509
Total	**357,562**	**338,463**	**357,562**	**338,463**

33. DEPOSITS FROM CUSTOMERS

In RON thousand	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Payable on demand				
Retail customers	27,112,260	23,362,866	27,023,260	23,173,098
Non-retail customers	10,058,188	8,941,069	10,086,020	8,972,732
	37,170,448	**32,303,935**	**37,109,280**	**32,145,830**
Term deposits				
Retail customers	8,996,716	8,863,845	8,996,716	8,863,845
Non-retail customers	3,535,355	2,385,186	3,535,355	2,385,186
	12,532,071	**11,249,031**	**12,532,071**	**11,249,031**
Savings accounts				
Retail customers	58	67	58	67
	58	**67**	**58**	**67**
Total	**49,702,577**	**43,553,033**	**49,641,409**	**43,394,928**

34. TOTAL LONG TERM DEBT

Long term-debt includes debt securities issued, senior loans and subordinated loans from banks, as presented in the table below:

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
In RON thousand				
Senior loans from banks and financial institutions	345,077	432,178	8,611	17,657
Of which unsecured:	49,645	139,692	-	-
Debt securities issued	2,118,575	480,092	2,118,575	480,092
Subordinated liabilities	323,334	416,326	323,334	416,326
Total	**2,786,986**	**1,328,596**	**2,450,520**	**914,075**

(i) Senior loans from banks and financial institutions are detailed in the table from below:

In RON thousand	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Commercial banks	49,646	139,691	-	-
Multilateral Development Banks	286,820	274,830	-	-
Other financial institutions	8,611	17,657	8,611	17,657
Total loans from banks and financial institutions	**345,077**	**432,178**	**8,611**	**17,657**

34. TOTAL LONG TERM DEBT (continued)

The loans received from banks and other financial institutions are denominated in EUR and RON, with a final maturity which varies between December 2021 and December 2026.

The Group takes all the necessary measures in order to ensure compliance with the financial covenants that may be attached to the loans received from banks and other financial institutions. Consequently, there have been no breaches in the financial covenants of any loans from banks and other financial institutions in the analyzed period.

Senior debt has greater seniority in the Bank's liabilities structure than subordinated debt and regulatory capital instruments as regulated by applicable insolvency law.

As of December 31, 2021, the Group has commitments received from credit institutions in amount of EUR 50.000 thousand (December 31, 2020: EUR 50.000 thousand).

As of December 31, 2021, the Bank has commitments received from credit institutions in amount of EUR 50.000 thousand (December 31, 2020: EUR 50.000 thousand).

(ii) Debt securities issued

Group: The balance of debt securities issued as at December 31, 2021, including accrued interest, is in amount of RON 2,118,575 thousand (December 31, 2020: RON 480,092 thousand).

Bank: The balance of debt securities issued as at December 31, 2021, including accrued interest, is in amount of RON 2,118,575 thousand (December 31, 2020: RON 480,092 thousand).

In December 2019, the Bank issued unsecured, subordinated RON-denominated bonds in nominal amount of RON 480,000 thousand that qualify as Tier 2 instruments. The instruments bear variable rate and have maturity on 19 December 2029. Initially the bonds were subscribed by private investors through a private placement process. According to the terms and conditions of the issuance, the bonds were admitted to trading on the Regulated Spot Market of the Bucharest Stock Exchange on 14th of May 2020, under ISIN code: ROJX86UZW1R4.

On 14 May 2021 the Bank issued its inaugural Senior Preferred (SP) RON-denominted green bond in nominal amount of RON 400,575 thousand bearing a fixed rate coupon with the final maturity on 14 May 2026. The notes have an early redemption feature at the option of the Issuer, subject to prior regulatory approval, with the call redemption date on 14 May 2025. The instruments were issued under the Bank's EMTN programme which was established at the end of April 2021. The notes are expected to be eligible for MREL (Minimum Requirement for Own Funds and Eligible Liabilities). The bonds were listed on the Luxembourg Stock Exchange on 18 May 2021, under ISIN code XS2339508587 and were incuded in the LGX - Green Exchange platform, dedicated solely to the Green and Sustainble bonds. The notes were passported on 27th of May 2021 on the Regulated Spot Market of the Bucharest Stock Exchange under the same ISIN (Symbol RBRO26).

On 11 June 2021, under the EMTN programme, the Bank issued its first Senior Non-Preferred (SNP) RON-denominted green bond, in nominal amount of RON 1,207,500 thousand bearing a fixed rate coupon, with the maturity date on 11 June 2028 and an early redemption feature at the option of the Issuer on 11 June 2027, subject to prior regulatory approval. The notes are expected to be eligible for MREL (Minimum Requirement for Own Funds and Eligible Liabilities). The bonds were listed on the Luxembourg Stock Exchange - LGX platform on 15 June 2021 under ISIN: XS2349343256 and on 2 July 2021 were passported on the Regulated Spot Market of the Bucharest Stock Exchange, under the same ISIN (Symbol RBRO28).

(iii) Subordinated liabilities

The balance of subordinated liabilities as at December 31, 2021, in RON equivalents, including accrued interest is RON 323,334 thousand (December 31, 2020: RON 416,326 thousand).

All subordinated loans are granted by Raiffeisen Bank International A.G.

34. TOTAL LONG TERM DEBT (continued)

The below tables show the split of total long term debt by contractual maturities as of December 31, 2021:

Group

In RON thousand	Less than 1 year	Over 1 year	Total
Senior loans from banks and financial institutions	22,555	322,522	345,077
Of which unsecured	*18,169*	*31,476*	*49,645*
Debt securities issued	30,500	2,088,075	2,118,575
Subordinated liabilities	1,707	321,627	323,334
Total	**54,762**	**2,732,224**	**2,786,986**

Bank

In RON thousand	Less than 1 year	Over 1 year	Total
Senior loans from banks and financial institutions	4,385	4,226	8,611
Of which unsecured	-	-	-
Debt securities issued	30,500	2,088,075	2,118,575
Subordinated liabilities	1,707	321,627	323,334
Total	**36,592**	**2,413,928**	**2,450,520**

The below tables show the split of total long term debt by contractual maturities as of December 31, 2020:

Group

In RON thousand	Less than 1 year	Over 1 year	Total
Senior loans from banks and financial institutions	44,983	387,195	432,178
Of which unsecured	*36,231*	*103,461*	*139,692*
Debt securities issued	-	480,092	480,092
Subordinated liabilities	99,815	316,511	416,326
Total	**144,798**	**1,183,798**	**1,328,596**

Bank

In RON thousand	Less than 1 year	Over 1 year	Total
Senior loans from banks and financial institutions	8,752	8,905	17,657
Of which unsecured	-	-	-
Debt securities issued	-	480,092	480,092
Subordinated liabilities	99,815	316,511	416,326
Total	**108,567**	**805,508**	**914,075**

35. OTHER LIABILITIES

	Group		Bank	
In RON thousand	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Lease liability	286,460	335,493	286,103	335,493
Amounts due to state budget for social security	34,012	35,317	32,661	34,297
Short-term employee benefits	39,838	43,126	39,838	43,126
Accrual for suppliers	147,076	109,311	146,866	109,059
Cash in transit (i)	187,959	119,588	187,959	119,588
Deferred income	41,444	39,611	41,444	39,611
Other liabilities(ii)	387,436	230,365	384,014	220,317
Total	**1,124,225**	**912,811**	**1,118,885**	**901,491**

i) Cash in transit includes payments which should be settled with other banks of RON 166,601 thousand (2020: RON 83,566 thousand) and receipts which should be settled with current accounts RON 21,358 thousand (2020: RON 36,699 thousand).

ii) Other liabilities include credit cards of RON 201,397 thousand (2020: RON 43,368 thousand), liabilities due to customers of RON 107,539 thousand (2020: 119,044 thousand RON), deposits representing the share capital at companies in course of set-up of RON 17,585 thousand (2020: RON 21,227 thousand) and receivable from guarantees received of RON 17,594 thousand (2020: RON 7,619 thousand).

36. PROVISIONS

	Group		Bank	
In RON thousand	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Provisions for litigations and potential risks (i)	301,667	201,711	188,339	144,703
Provision for un-drawn commitments (ii)	77,008	102,803	76,525	102,521
Provision for employee benefits	322	3,622	-	3,341
Defined benefit plan(iii)	29,507		29,507	
Provisions for overdue vacations	21,011	12,520	20,999	12,470
Provisions for severance payments and similar obligations	1,126	32,310	1,126	32,310
Sundry provisions	2,941	1,863	1,013	1,007
Total	**433,582**	**354,829**	**317,509**	**296,352**

i)The nature of provisions for litigation represents legal disputes. Expected timing of outflows for litigations cannot be appreciated, depending on various factors. Given the complexity and inherent uncertainties related to the outcome of possible scenario regarding the provision for litigation, the Group's estimates needed may differ from actual obligation resulting from the completion of such legal disputes in future periods.

Included in position "Provisions for litigations and potential risks" are the following main legal disputes:

a. Disputes with consumers

As of December 31, 2021, the provisions related to individual consumer loan litigations amounted to 10,635 RON thousand (2020: RON 11,863 thousand). They are due to contractual clauses that may generate losses because they are considered unfair by customers. The existing provisions are both for ongoing litigations and for potential ones (which might result in litigations in the future).

36. PROVISIONS (continued)

b. Order no 837 dated October 20, 2017 received from the National Authority for Consumer Protection

As of 20 October 2017, the Bank received from National Authority for Consumer Protection (further called „ANPC") an order (no. 837) which requires the cancellation of an alleged incorrect practice of non-informing the customers about the future interest evolution upon loan origination. The Bank is required to bring the contracts to the situation before the illegal practice, including the issue of a new reimbursement plan, with the conditions applicable on signing date. This is in contradiction with the effects of an order aimed at stopping a practice which has effects in the future and is not an action in cancellation which would have been retrospecti
ve. At the date of these financial statements the Bank calculated a provision based on all possible scenarios, which are weighed with probabilities in order to obtain the best estimated expected loss. The value of this provision, as of December 31, 2021, is RON 134,462 thousand (2020: 68,971 thousand) and has been made as a result of losing the litigation in the first instance.

The status of Order 837 is the following:
- the Court has irrevocably admitted the Bank request regarding the suspension of the order, its effects being suspended until the final settlement of the action for annulment;
- the Court rejected the appeal against the minutes;
- the Court rejected the action regarding the annulment of the order. The bank declared appeal against the first sentence, which had a first court hearing on 15th of February 2022 at the High Court of Cassation and Justice of Romania and that was postponed for 1st of March.

Finally the High Court of Cassation issued a decision ruling that the order is valid.
For the time being, as the Court decision is not motivated, the Bank analysed the implications in terms of the amounts to be repaid to customers according to the external legal opinion and the outcome is in line with the estimated losses recognised in these financial statements.

c. Order 280 dated July 9, 2014, received from the National Authority for Consumer Protection

On February 6th, 2020, the High Court of Cassation and Justice has solved the appeal filed by Raiffeisen Bank SA against the National Authority for Consumer Protection in the file no. 988/2/2015, by rejecting it.

The subject matter of the file is the annulment of the administrative act, respectively of the Decision 280/2014 issued by the ANPC with reference to the restructuring method by including the management fee in the interest margin.

In July 2014, the ANCP had issued a decision applicable to Raiffeisen Bank S.A., asking the bank to stop the practice of including the credit management commission in the interest margin on the occasion of the restructuring of consumer loans. Although provisions describing that method were included in the respective agreements, in the authority's opinion those provisions were not clear enough. Following the High Court of Cassation and Justice decision in the file no. 988/2/2015, and based on an external legal opinion, the Bank is in process of implementing the Order.

On September 3rd, 2021, ANPC issued the Order no. 234/03.09.2021, by which it was ordered the suspension of the bank's activity regarding the incorrect practice retained in the Order no.280/2014.
Between September and November 2021, the Bank implemented the Order no.280 according to the ANPC communication and the provision on December 31, 2021 was adjusted to the level of RON 34,207 thousand, associating a 50% loss probability to a remaigning risk exposure of approximately RON 68,414 thousand after RON 24,300 thousand payments have been made to customers. The provision booked in this respect, as of December 31, 2020, is in amount of RON 16,667 thousand .

36. PROVISIONS (continued)

d. The litigation between Aedificium Banca pentru Locuinte S.A. and the Romanian Court of Auditors

Following an audit review of the Romanian Court of Auditors regarding the activity of Aedificium Banca pentru Locuinte S.A. (further called "ABL"), finalised in 2016, the Romanian Court of Auditors claimed that several deficiencies were identified and that conditions for state premiums on savings have not been met. Thus, such premiums may have to be repaid. Should ABL not succeed in reclaiming said amounts from its customers or providing satisfactory documentation, ABL would be liable for the payment of such funds. ABL has initiated a contestation process against the position of the Romanian Court of Auditors. The High Court of Cassation and Justice of Romania has definitively ruled in the file, rejecting the Bank's appeal and partially annulling the Decision of the Court of Accounts. Another decision is being expected, related to the exception of unconstitutionality, which was invoked by Aedificium and sent by the High Court of Cassation and Justice of Romania to the Constitutional Court (in the High Court's opinion the exception invoked by Aedificium should be admitted). ABL may not be able to receive reimbursement of such funds from its customers due to legal and practical reasons.
Given current uncertainties, on December 31, 2021 the Group made a provision of RON 113.000 thousand (2020: RON 91,597 thousand), which represent the possible outcomes of different scenarios (regarding the repayment of premiums and related accessories), weighted by their associated probabilities. In its separate financial statements, the Bank has provisioned its participation in ABL, meaning a provision of RON 82,815thousand (2020: RON 12,466 thousand), has booked in 2020 a write-off of the participation in amount of RON 45,015 and a litigation provision in amount of RON 36,627 thousand.

ii) For off balance sheet commitments, provisions are calculated by multiplying net exposure (gross exposure minus collateral value) with historical loss rates specific for each risk category, further adjusted with the credit conversion factor. The credit conversion factor represents the Bank's expectations of the respective loan commitment to become a balance sheet exposure over its expected life.

iii) The provision for employee benefits is the Group's one off obligation to offer a number of salaries depending on the service period. The Group has calculated provision for contributions granted to employees on retirement as at year end 2021 using indicators such as: remaining number of years with the company up to retirement, probability that employee will stay with the company up to retirement, current salary, average number of salaries paid as benefit at retirement, age, sex, expected age of retirement as per current legislation.

Movement in defined benefits obligations

In RON thousand	**31 December 2021**	**31 December 2020**
Opening defined benefit obligation	-	-
Total service cost	25,427	-
Benefits paid	-	-
Interest cost on benefit obligation	738	-
Other changes	3,342	
Actuarial (gains) / losses arising from changes in demographic assumptions	-	-
Actuarial (gains) / losses arising from changes in financial assumptions	-	-
Closing defined benefit obligation	**29,507**	**-**

Main actuarial assumptions:

	Group	
	31 December 2021	**31 December 2020**
Discount rate	2.5% – 4.3%	-
Average long term inflation rate	3.56%	-
Average remaining working period (years)	24	-

36. PROVISIONS (continued)

Sensitivities on the defined benefit obligation

The results of any valuation depend upon the assumptions employed. Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase.

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate used were 0.5% higher, then the defined benefit obligation would be lower by about 3.48% meaning RON 1,026 thousand.
- If the discount rate used were 0.5% lower, then the defined benefit obligation would be higher by about 3.68% meaning RON 1,087 thousand.
- If the salary increase rate used were 0.5% higher, then the defined benefit obligation would be higher by about 3.69% meaning RON 1,090 thousand.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.The eventual cost of providing the benefits depends on the current future experience. Other factors such as the number of new employees could also change the cost

Group

During 2021 the provisions can be further analyzed as follows:

In RON thousand	**Opening Balance**	**Allocation**	**Release**	**FX difference**	**Closing balance**
Provisions for litigations and potential risks (i)	201,711	106,453	(4,148)	(2,349)	301,667
Provision for un-drawn commitments	102,803	201	(26,570)	574	77,008
Provisions for employee benefits	3,622	41	(3,341)	-	322
Defined benefit plan	-	29,507	-	-	29,507
Provisions for overdue vacations	12,520	8,491	-	-	21,011
Provisions for severance payments and similar obligations	32,310	1,126	(32,310)	-	1,126
Sundry provisions	1,863	1,078	-	-	2,941
TOTAL	**354,829**	**146,897**	**(66,369)**	**(1,775)**	**433,582**

36. PROVISIONS (continued)

During 2020 the provisions can be further analyzed as follows:

In RON thousand	Opening Balance	Allocation	Release	FX difference	Closing balance
Provisions for litigations and potential risks (i)	143,268	61,993	(4,884)	1,334	201,711
Provision for un-drawn commitments	77,415	25,068		320	102,803
Provisions for employee benefits	3,609	13	-	-	3,622
Provisions for overdue vacations	12,470	50	-	-	12,520
Provisions for severance payments and similar obligations	665	32,310	(665)	-	32,310
Sundry provisions	2,350	-	(487)	-	1,863
TOTAL	**239,777**	**119,434**	**(6,036)**	**1,654**	**354,829**

Bank

During 2021 the provisions can be further analyzed as follows:

In RON thousand	Opening balance	Allocation	Release	FX difference	Closing balance
Provisions for litigations and potential risks	144,703	86,760	(40,775)	(2,349)	188,339
Provision for un-drawn commitments	102,521	-	(26,570)	574	76,525
Provisions for employee benefits	3,341	-	(3,341)	-	-
Defined benefit plan	-	29,507	-	-	29,507
Provisions for overdue vacations	12,470	8,529	-	-	20,999
Provisions for severance payments and similar obligations	32,310	1,126	(32,310)	-	1,126
Sundry provisions	1,007	-	6	-	1,013
TOTAL	**296,352**	**125,922**	**(102,990)**	**(1,775)**	**317,509**

During 2020 the provisions can be further analyzed as follows:

In RON thousand	Opening balance	Allocation	Release	FX difference	Closing balance
Provisions for litigations and potential risks	94,017	54,236	(4,884)	1,334	144,703
Provision for un-drawn commitments	77,096	25,105		320	102,521
Provisions for employee benefits	3,372	-	(31)	-	3,341
Provisions for overdue vacations	12,470	-	-	-	12,470
Provisions for severance payments and similar obligations	665	32,310	(665)	-	32,310
Sundry provisions	904	-	103	-	1,007
TOTAL	**188,524**	**111,651**	**(5,477)**	**1,654**	**296,352**

37. SHARE CAPITAL

Share capital

As of December 31, 2021 the number of shares is 12,000 and there were no changes in shares structure. Share capital in amount of RON 1.2 bln consists in 12,000 shares with a nominal value of RON 100,000/share.

During 2021, Raiffeisen Bank S.A paid dividends from 2020 profit to its shareholders in amount of RON 48,000 thousand which represents a dividend of RON 4,000 /share and RON 741,960 thousand from Retained earnings which represents a dividend of RON 61,830/ share (2020: RON 0).

The shareholders of the Group are as follows:

	31 December 2021	31 December 2020
	%	%
Raiffeisen SEE Region Holding GmbH	99.925	99.925
Other shareholders	0.075	0.075
Total	**100**	**100**

38. OTHER EQUITY INSTRUMENTS

Other equity instruments are comprised of subordinated unsecured instruments notes issued by the Group that are classified as equity instruments in accordance to IAS 32 "Financial Instruments: Presentation". The instruments meet the criteria for inclusion in Group Tier 1 own funds, as they qualify as Additional Tier 1 instruments, as defined by Regulation (EU) No. 575/2013 (CRR), article 52. They are perpetual instruments, with no maturity, while the issuer's reimbursement is limited and subject to supervisory approval.

Although the notes include a coupon rate, this is fully discretionary and is paid out of the distributable profits. In case the Group's CET 1 Capital Ratio is below a certain threshold, this might trigger full or partial write-down of the notes. The write-down is temporary and can be followed by a write-up, which is at the sole discretion of the issuer and compliance with applicable supervisory regulations. The total issue of the notes amounts to EUR 50 million and have been purchased by Raiffeisen Bank International A.G. (please refer to *note 40 Related party transactions*).

During 2021, Raiffeisen Bank S.A paid cupon in amount of 18,808 thousand RON (2020: RON 0).

39. OTHER RESERVES

	Group		Bank	
In RON thousand	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Statutory reserve	242,128	242,128	240,000	240,000
Fair value loss taken to equity (net of tax), investment securities FVOCI	(104,211)	54,318	(101,943)	55,585
Total	**137,917**	**296,446**	**138,057**	**295,585**

The table below presents the fair value reserve for financial assets FVOCI:

In RON thousand	Group		Bank	
	2021	2020	2021	2020
At 1 January	**54,318**	**37,974**	**55,585**	**39,688**
Change in fair value reserve (for financial assets FVOCI)	(158,529)	46,236	(157,528)	45,789
Reclassification of the valuation reserve of financial assets	-	(29,892)	-	(29,892)
At 31 December	**(104,211)**	**54,318**	**(101,943)**	**55,585**

40. RELATED PARTY TRANSACTIONS

The Group entered into a number of banking transactions with Raiffeisen Bank International AG, the ultimate controlling party, and its subsidiaries in the normal course of business.

The transactions and balances with related parties are presented in tables below:

Group

In RON thousand	2021				
	Ultimate controlling entity	**Associates**	**Key Personnel**	**Other interest**	**Total**
Trading assets	11,529	-	-	-	11,529
Derivative assets held for risk management	8,264	-	-	-	8,264
Loans and advances to banks at amortised cost	624,424	-	-	771,397	1,395,821
Investment in subsidiaries, associates and joint ventures	-	32,243	-	-	32,243
Equity instruments at fair value through other comprehensive income	-	-	-	49,766	49,766
Loans and advances to customers at amortised cost	-	20,115	3,129	152,920	176,164
Other assets	1,874	178	6	12,509	14,567
Outstanding assets	**646,091**	**52,536**	**3,135**	**986,592**	**1,688,354**
Derivative liabilities held for risk management	3,268	-	-	-	3,268
Derivatives – Hedge accounting	8,298	-	-	-	8,298
Fair value changes of the hedged items-liability	3,466	-	-	-	3,466
Trading liabilities	6,175	-	-	-	6,175
Deposits from banks	1,531	-	-	2,900	4,431
Deposits from customers	-	4,539	15,386	101,567	121,492
Subordinated liabilities	323,334	-	-	-	323,334
Other equity instruments	238,575	-	-	-	238,575
Other liabilities	31,449	4,598	-	123,605	159,652
Outstanding liabilities	**616,096**	**9,137**	**15,386**	**228,072**	**868,691**
Commitments given	-	4,787	-	134,563	139,350
Guarantees issued	78,512	-	-	34,997	113,509
Commitments received	247,405	-	-	-	247,405
Guarantees received	86,013	-	-	44,623	130,636
Notional amount of derivative instruments	2,797,167	-	-	-	2,797,167

40. RELATED PARTY TRANSACTIONS (continued)

In RON thousand	2020				
	Ultimate controlling entity	**Associates**	**Key Personnel**	**Other interest**	**Total**
Trading assets	883	-	-	-	883
Derivative assets held for risk management	729	-	-	-	729
Loans and advances to banks at amortised cost	48,266	-	-	243	48,509
Investment in subsidiaries, associates and joint ventures	-	15,545	-	-	15,545
Equity instruments at fair value through other comprehensive income	-	-	-	44,989	44,989
Loans and advances to customers at amortised cost	-	-	7,368	227,457	234,825
Other assets	90	123	-	3,674	3,887
Outstanding assets	**49,968**	**15,668**	**7,368**	**276,363**	**349,367**
Derivative liabilities held for risk management	15,971	-	-	-	15,971
Derivatives – Hedge accounting	21,488	-	-	-	21,488
Trading liabilities	12,618	-	-	-	12,618
Deposits from banks	12,832	-	-	2,747	15,579
Deposits from customers	-	10	-	36,194	36,204
Subordinated liabilities	416,326	-	-	-	416,326
Other equity instruments	238,575	-	-	-	238,575
Other liabilities	17,677	-	-	3,795	21,472
Outstanding liabilities	**735,487**	**10**	**-**	**42,736**	**778,233**
Guarantees issued	41,344	-	-	9,763	51,107
Commitments received	243,470	-	-	-	243,470
Guarantees received	124,633	-	-	52,676	177,309
Notional amount of derivative instruments	2,200,005	-	-	-	2,200,005

40. RELATED PARTY TRANSACTIONS (continued)

Bank

	2021					
In RON thousand	**Ultimate controlling entity**	**Subsidiaries**	**Associates**	**Key Personnel**	**Other interest**	**Total**
Trading assets	11,529	-	-	-	-	11,529
Derivative assets held for risk management	8,264	-	-	-	-	8,264
Loans and advances to banks at amortised cost	624,424	11,917	-	-	771,397	1,407,738
Investment in subsidiaries, associates and joint ventures	-	111,533	14,987	-	-	126,520
Equity instruments at fair value through other comprehensive income	-	-	-	-	49,766	49,766
Loans and advances to customers at amortised cost	-	597,934	20,115	3,129	152,920	774,098
Other assets	1,874	6,157	178	6	12,509	20,724
Outstanding assets	**646,091**	**727,541**	**35,280**	**3,135**	**986,592**	**2,398,639**
Derivative liabilities held for risk management	3,268	-	-	-	-	3,268
Derivatives – Hedge accounting	8,298	-	-	-	-	8,298
Fair value changes of the hedged items-liability	3,466	-	-	-	-	3,466
Trading liabilities	6,175	-	-	-	-	6,175
Deposits from banks	1,531	-	-	-	2,900	4,431
Deposits from customers	-	45,810	4,539	15,386	101,567	167,302
Subordinated liabilities	323,334	-	-	-	-	323,334
Other equity instruments	238,575	-	-	-	-	238,575
Other liabilities	31,449	-	4,598	-	123,605	159,652
Outstanding liabilities	**616,096**	**45,810**	**9,137**	**15,386**	**228,072**	**914,501**
Commitments given	-	237,716	4,787	-	134,563	377,066
Guarantees issued	78,512	299	-	-	34,997	113,808
Commitments received	247,405	-	-	-	-	247,405
Guarantees received	86,013	-	-	-	44,623	130,636
Notional amount of derivative instruments	2,797,167	-	-	-	-	2,797,167

40. RELATED PARTY TRANSACTIONS (continued)

Bank

	2020					
In RON thousand	**Ultimate controlling entity**	**Subsidiaries**	**Associates**	**Key Personnel**	**Other interest**	**Total**
Trading assets	883	-	-	-	-	883
Derivative assets held for risk management	729					729
Loans and advances to banks at amortised cost	48,266	12,002	-	-	243	60,511
Investment in subsidiaries, associates and joint ventures	-	91,884	15,283	-		107,167
Equity instruments at fair value through other comprehensive income					44,989	44,989
Loans and advances to customers at amortised cost	-	487,526	-	7,368	227,457	722,351
Other assets	90	5,245	123	-	3,674	9,132
Outstanding assets	**49,968**	**596,657**	**15,406**	**7,368**	**276,363**	**945,762**
Derivative liabilities held for risk management	15,971	-	-	-	-	15,971
Derivatives – Hedge accounting	21,488					21,488
Trading liabilities	12,618					12,618
Deposits from banks	12,832	109	-	-	2,747	15,688
Deposits from customers	-	44,358	10	-	36,194	80,562
Debt securities issued	-	-			-	-
Subordinated liabilities	416,326	-	-	-	-	416,326
Other equity instruments	238,575	-	-	-	-	238,575
Other liabilities	17,677	-	-	-	3,795	21,472
Outstanding liabilities	**735,487**	**44,467**	**10**	**0**	**42,736**	**822,700**
Commitments given	-	109,127	-	-	-	109,127
Guarantees issued	41,344	-	-	-	9,763	51,107
Commitments received	243,470	-	-	-	-	243,470
Guarantees received	124,633	-	-	-	52,676	177,309
Notional amount of derivative instruments	2,200,005	-	-	-	-	2,200,005

40. RELATED PARTY TRANSACTIONS (continued)

Group

In RON thousand	**2021** Ultimate controlling entity	Associates	Key Personnel	Other interest	Total
Interest income	120	385	232	2,168	**2,905**
Interest expense	(14,441)	-	(29)	(2,155)	**(16,625)**
Fees and commissions income	2,252	31	5	1,217	**3,505**
Fees and commissions expenses	(1,238)	-	-	(26,223)	**(27,461)**
Net trading income	27,433	-	-	-	**27,433**
Operating expenses	(50,073)	(45,508)	(1)	(66,867)	**(162,449)**
Personnel expenses	-	-	(33,293)	-	**(33,293)**
Other operating income	82	-	-	1,192	**1,274**

In RON thousand	**2020** Ultimate controlling entity	Associates	Key Personnel	Other interest	Total
Interest income	60	-	90	4,673	**4,823**
Interest expense	(18,866)	-	-	(5)	**(18,871)**
Fees and commissions income	3,408	13	-	741	**4,162**
Fees and commissions expenses	(3,486)	-	-	(20,805)	**(24,291)**
Net trading income	(43,069)	-	-	-	**(43,069)**
Operating expenses	(35,021)	-	-	(8,937)	**(43,958)**
Personnel expenses	-	-	(35,549)	-	**(35,549)**
Other operating income	-	-	-	1,294	**1,294**

Operating expenses include mostly IT costs, legal, advisory and consulting expenses and office space expenses such as rental, maintenance and others.

40. RELATED PARTY TRANSACTIONS (continued)

Bank

In RON thousand	2021 Ultimate controlling entity	Subsidiaries	Associates	Key Personnel	Other interest	Total
Interest income	120	5,686	385	232	2,168	**8,591**
Interest expense	(14,441)	(76)	-	(29)	(2,155)	**(16,701)**
Fees and commissions income	2,252	7,486	31	5	1,217	**10,991**
Fees and commissions expenses	(1,238)	-	-	-	(26,223)	**(27,461)**
Net trading income	27,433	-	-	-	-	**27,433**
Operating expenses	(50,073)	(11)	(45,508)	(1)	(66,867)	**(162,460)**
Personnel expenses	-	-	-	(33,293)	-	**(33,293)**
Dividend income	-	21,753	-	-	484	**22,237**
Other operating income	82	2,246	-	-	1,192	**3,520**

In RON thousand	2020 Ultimate controlling entity	Subsidiaries	Associates	Key Personnel	Other interest	Total
Interest income	60	6,236	-	90	4,673	**11,059**
Interest expense	(18,866)	(81)	-	-	(5)	**(18,952)**
Fees and commissions income	3,408	6,065	13	-	741	**10,227**
Fees and commissions expenses	(3,486)	-	-	-	(20,805)	**(24,291)**
Net trading income	(43,069)	-	-	-	-	**(43,069)**
Operating expenses	(35,021)				(8,937)	**(43,958)**
Personnel expenses	-	-	-	(35,549)	-	**(35,549)**
Dividend income	-	39,751	-	-	-	**39,751**
Other operating income	-	2,161	-	-	1,294	**3,455**

40. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel

Key management personnel is comprised of the members of the Supervisory Board, Management Board and other senior management as defined by the National Bank of Romania Regulation no.5/20.12.2013 related to the prudential requirements for credit institutions and amended by the Regulation no.5/17.12.2014.

The transactions between the Group and key management personnel are in the normal course of business, representing: loans granted, deposits placed, foreign currency transactions and guarantees issued.

The volumes of key management personnel transactions as at year-end and expense and income for the year are presented in the below tables.

In RON thousand	Group		Bank	
	2021	**2020**	**2021**	**2020**
Loans and advances to customers	3,129	7,368	3,129	7,368
Interest income and fees and commission income	237	90	237	90
Impairment for loans and advances to customer	101	207	101	207
Deposits	15,386	-	15,386	-
Interest expense	(29)	-	(29)	-

The following table shows total remuneration of the members of the Key management personnel according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards, respectively IAS 19:

Key management personnel compensation

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Short-term employee benefits	30,814	32,579	30,814	32,579
Other long term benefits	2,479	2,970	2,479	2,970
Total compensation	**33,293**	**35,549**	**33,293**	**35,549**

Short-term employee benefits shown in the above table contain salaries and benefits in kind and other benefits and those parts of the bonuses which become due for the short term. Furthermore, changes possibly arising from the difference between the bonus provision and the later awarded bonus are also contained.

Other long-term benefits contain bonus payments, deferred on a period above one year, payable in cash.

41. COMMITMENTS AND CONTINGENCIES

i) Credit related commitments

Guarantees and letters of credit

The Group issues guarantees and letters of credit for its customers. Guarantees and letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. The primary purpose of letters of credit is to ensure that funds are available to a customer as required.

Credit related commitments

Loan commitments represent unused amounts of approved credit facilities. Off-balance sheet contractual amounts of loan commitments, guarantees and letters of credit issued are presented in the following table:

In RON thousand	Group		Bank	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Loan commitments	13,395,836	11,494,507	13,555,866	11,458,820
Guarantees issued	2,801,008	2,076,377	2,801,030	2,076,377
Letters of credit	779,433	689,978	779,433	689,978
Total	**16,976,277**	**14,260,862**	**17,136,329**	**14,225,175**

The tables below present for 31 December 2021, the split of credit related commitments on stages and credit quality:

Group
Non-retail financial guarantees given

In RON thousand	31 December 2021				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Excellent	141	-	-	-	141
Strong	1,188,175	285	-	-	1,188,460
Good	1,570,447	32,604	-	-	1,603,051
Satisfactory	516,446	68,591	-	-	585,037
Substandard	354	55,647	-	-	56,001
Impaired	-	-	79,632	22	79,654
Unrated	49,097	416	-	-	49,513
Total	**3,324,660**	**157,543**	**79,632**	**22**	**3,561,857**

Group
Non-retail financial guarantees given

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Excellent	100	-	-	100
Strong	829,920	759	-	830,679
Good	1,037,447	4,234	-	1,041,681
Satisfactory	616,890	117,121	-	734,011
Substandard	348	30,270	934	31,552
Impaired	-	-	109,563	109,563
Unrated	317	479	-	796
Total	**2,485,022**	**152,863**	**110,497**	**2,748,382**

41. COMMITMENTS AND CONTINGENCIES (continued)

Group
Non-retail loan commitments given

In RON thousand	31 December 2021			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Excellent	86,813	3,485	-	90,298
Strong	3,118,940	37,123	-	3,156,063
Good	4,548,864	130,341	-	4,679,205
Satisfactory	1,751,637	99,210	-	1,850,847
Substandard	377	22,447	-	22,824
Impaired	-	-	34,306	34,306
Unrated	129,241	160	-	129,401
Total	**9,635,872**	**292,766**	**34,306**	**9,962,944**

Group
Non-retail loan commitments given

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Excellent	20,281	3,183	-	23,464
Strong	2,503,355	23,413	-	2,526,768
Good	3,005,573	73,217	-	3,078,790
Satisfactory	1,814,225	409,975	-	2,224,200
Substandard	499	9,768	2,869	13,136
Impaired	34	-	14,196	14,230
Unrated	283,572	1,329	561	285,462
Total	**7,627,539**	**520,885**	**17,626**	**8,166,050**

Bank
Non-retail financial guarantees given

In RON thousand	31 December 2021				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Excellent	141	-	-	-	141
Strong	1,188,175	285	-	-	1,188,460
Good	1,570,447	32,604	-	-	1,603,051
Satisfactory	516,446	68,591	-	-	585,037
Substandard	354	55,647	-	-	56,001
Impaired	-	-	79,632	22	79,654
Unrated	49,097	416	-	-	49,513
Total	**3,324,660**	**157,543**	**79,632**	**22**	**3,561,857**

41. COMMITMENTS AND CONTINGENCIES (continued)

Bank
Non-retail financial guarantees given

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Excellent	100	-	-	100
Strong	829,920	759	-	830,679
Good	1,037,447	4,234	-	1,041,681
Satisfactory	616,890	117,121	-	734,011
Substandard	348	30,270	934	31,552
Impaired	-	-	109,563	109,563
Unrated	317	479	-	796
Total	**2,485,022**	**152,863**	**110,497**	**2,748,382**

Bank
Non-retail loan commitments given

In RON thousand	31 December 2021			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Excellent	86,813	3,349	-	90,162
Strong	3,118,172	35,589	-	3,153,761
Good	4,538,481	127,868	-	4,666,349
Satisfactory	1,718,723	98,851	-	1,817,574
Substandard	377	22,447	-	22,824
Impaired	-	-	33,736	33,736
Unrated	129,098	62	-	129,160
Total	**9,591,664**	**288,166**	**33,736**	**9,913,566**

Bank
Non-retail loan commitments given

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Excellent	20,281	3,183	-	23,464
Strong	2,501,357	23,413	-	2,524,770
Good	2,999,448	73,217	-	3,072,665
Satisfactory	1,797,034	409,975	-	2,207,009
Substandard	499	9,768	2,869	13,136
Impaired	34	-	14,196	14,230
Unrated	273,759	1,329	-	275,088
Total	**7,592,412**	**520,885**	**17,065**	**8,130,362**

41. COMMITMENTS AND CONTINGENCIES (continued)

Group
Retail financial guarantees given

In RON thousand	31 December 2021			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Minimal Risk	-	9,668	-	9,668
Excellent Credit Standing	-	-	-	-
Very Good Credit Standing	-	80	-	80
Good Credit Standing	-	-	-	-
Sound Credit Standing	-	-	-	-
Acceptable Credit Standing	-	-	-	-
Marginal Credit Standing	-	-	-	-
Weak Credit Standing	-	-	-	-
Very Weak Credit Standing	-	-	-	-
Default	-	-	-	-
Not Rated	149	8,709	-	8,858
Total	**149**	**18,457**	**-**	**18,606**

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Minimal Risk	-	681	-	681
Excellent Credit Standing	-	4,323	-	4,323
Very Good Credit Standing	-	4,866	-	4,866
Good Credit Standing	-	123	-	123
Sound Credit Standing	-	186	-	186
Acceptable Credit Standing	-	258	-	258
Marginal Credit Standing	-	-	-	-
Weak Credit Standing	-	-	-	-
Very Weak Credit Standing	-	-	-	-
Default	-	-	-	-
Not Rated	-	9,623	-	9,623
Total	**-**	**20,060**	**-**	**20,060**

In "Not Rated" category are also included retail exposures of subsidiaries for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, general IFRS 9 impairment rules apply, as described in *Note 3 (ix) Identification and measurement of impairment.*

41. COMMITMENTS AND CONTINGENCIES (continued)

Group
Retail loan commitments given

In RON thousand	31 December 2021				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Minimal Risk	1,185,333	218,096	-	-	1,403,429
Excellent Credit Standing	23,608	375,294	-	-	398,902
Very Good Credit Standing	675,002	433,414	-	-	1,108,416
Good Credit Standing	1,463	150,793	-	-	152,256
Sound Credit Standing	91,280	49,862	-	-	141,142
Acceptable Credit Standing	47,068	19,185	-	-	66,253
Marginal Credit Standing	15,224	7,346	-	-	22,570
Weak Credit Standing	4,296	5,388	-	-	9,684
Very Weak Credit Standing	663	2,963	-	-	3,626
Default	-	-	11,592	3,409	15,001
Not Rated	36,541	75,050	-	-	111,591
Total	**2,080,478**	**1,337,391**	**11,592**	**3,409**	**3,432,870**

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Minimal Risk	887,145	155,185	-	1,042,330
Excellent Credit Standing	175,187	284,122	-	459,309
Very Good Credit Standing	713,697	357,094	-	1,070,791
Good Credit Standing	313,814	102,035	-	415,849
Sound Credit Standing	124,664	46,311	-	170,975
Acceptable Credit Standing	65,219	16,841	-	82,060
Marginal Credit Standing	33,446	12,925	-	46,371
Weak Credit Standing	496	546	-	1,042
Very Weak Credit Standing	2,184	4,938	-	7,122
Default	-	-	14,274	14,274
Not Rated	10,609	20,230	-	30,839
Total	**2,326,462**	**1,000,227**	**14,274**	**3,340,962**

41. COMMITMENTS AND CONTINGENCIES (continued)

Bank
Retail Financial guarantees given

In RON thousand	31 December 2021			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Minimal Risk	-	9,668	-	9,668
Excellent Credit Standing	-	-	-	-
Very Good Credit Standing	-	80	-	80
Good Credit Standing	-	-	-	-
Sound Credit Standing	-	-	-	-
Acceptable Credit Standing	-	-	-	-
Marginal Credit Standing	-	-	-	-
Weak Credit Standing	-	-	-	-
Very Weak Credit Standing	-	-	-	-
Default	-	-	-	-
Not Rated	149	8,709	-	8,858
Total	**149**	**18,457**	**-**	**18,606**

In "Not Rated" category are also included retail exposures of subsidiaries for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, a simplified approach is used for impairment calculation.

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Minimal Risk	-	681	-	681
Excellent Credit Standing	-	4,323	-	4,323
Very Good Credit Standing	-	4,866	-	4,866
Good Credit Standing	-	123	-	123
Sound Credit Standing	-	186	-	186
Acceptable Credit Standing	-	258	-	258
Marginal Credit Standing	-	-	-	-
Weak Credit Standing	-	-	-	-
Very Weak Credit Standing	-	-	-	-
Default	-	-		-
Not Rated	-	9,623	-	9,623
Total	**-**	**20,060**	**-**	**20,060**

41. COMMITMENTS AND CONTINGENCIES (continued)

Bank
Retail Loan commitments given

In RON thousand	31 December 2021				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Minimal Risk	1,185,333	218,096	-	-	1,403,429
Excellent Credit Standing	23,608	375,294	-	-	398,902
Very Good Credit Standing	675,002	433,414	-	-	1,108,416
Good Credit Standing	238,418	150,793	-	-	389,211
Sound Credit Standing	91,280	49,862	-	-	141,142
Acceptable Credit Standing	47,068	19,185	-	-	66,253
Marginal Credit Standing	15,224	7,346	-	-	22,570
Weak Credit Standing	4,296	5,388	-	-	9,684
Very Weak Credit Standing	663	2,963	-	-	3,626
Default	-	-	11,592	3,409	15,001
Not Rated	10,378	73,688	-	-	84,066
Total	**2,291,270**	**1,336,029**	**11,592**	**3,409**	**3,642,300**

Bank
Retail Loan commitments given

In RON thousand	31 December 2020			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Minimal Risk	887,145	155,185	-	1,042,330
Excellent Credit Standing	175,187	284,122	-	459,309
Very Good Credit Standing	713,697	357,094	-	1,070,791
Good Credit Standing	313,814	102,035	-	415,849
Sound Credit Standing	124,664	46,311	-	170,975
Acceptable Credit Standing	65,219	16,841	-	82,060
Marginal Credit Standing	33,446	12,925	-	46,371
Weak Credit Standing	496	546	-	1,042
Very Weak Credit Standing	2,184	4,938	-	7,122
Default	-	-	14,274	14,274
Not Rated	551	20,230	-	20,781
Total	**2,316,404**	**1,000,227**	**14,274**	**3,330,905**

In "Not Rated" category are also included retail exposures of subsidiaries for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, a simplified approach is used for impairment calculation.

42. CAPITAL

The capital management of the Group is defined through the capital strategy approved by the Management Board and is reviewed at least once every year.

The primary objective of the Group's capital management is to ensure an adequate level of capital which meets not only the regulatory requirements, but also the limits set in the capital strategy. The Management Board of the Group actively manages the capital structure and seeks to maintain at all times a higher level of capital than the regulatory one in order to ensure a comfortable position in achieving the Group's business objectives.

No major changes have been made to the objectives and policies regarding capital management compared to the previous year.

Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No.648/2012 requires that the Group maintain a minimum Common Equity Tier 1 capital ratio of 4.5 %, a minimum Tier 1 capital ratio of 6 % and a minimum total capital ratio of 8 %.

According to supervisory review, Group was requested through an official notification to hold additional capital to cover risks which are not or not adequately taken into account under pillar I. The Group is also subject to Conservation and other systemically important institutions buffer. The Group is compliant with all of the above requirements.

	Group			**Bank**		
In RON thousand	**2021**	**2020**	**2020**	**2021**	**2020**	**2020**
	Before Profit Incorporation	**Before Profit Incorporation**	**After Profit Incorporation**	**Before Profit Incorporation**	**Before Profit Incorporation**	**After Profit Incorporation**
Tier 1 Capital, of which:	4,913,862	4,916,590	5,506,705	4,790,077	4,787,504	5,383,643
Common Equity Tier 1 (CET 1) Capital	4,675,287	4,678,015	5,268,130	4,551,502	4,548,929	5,145,068
Additional Tier 1 Capital	238,575	238,575	238,575	238,575	238,575	238,575
Tier 2 Capital	872,897	910,857	910,857	862,665	899,951	899,673
Total capital	**5,786,759**	**5,827,447**	**6,417,562**	**5,652,742**	**5,687,455**	**6,283,316**
Risk weighted assets	**27,683,318**	**25,756,912**	**25,673,505**	**26,599,564**	**24,644,051**	**24,549,320**
Common Equity Tier 1 Capital ratio	16.89%	18.16%	20.52%	17.11%	18.46%	20.96%
Tier 1 Capital ratio	17.75%	19.09%	21.45%	18.01%	19.43%	21.93%
Total Capital ratio	20.90%	22.62%	25.00%	21.25%	23.08%	25.59%

42. CAPITAL (continued)

Regulatory capital consists of Tier 1 and Tier 2 layers of capital. Tier 1 is made of share capital, premium reserves, retained earnings (excluding current year profit) and deductions according to legislation in force. Tier 2 capital includes subordinated long term debt and deductions according to legislation in force.

As of December 2019, the Group issued Additional Tier 1 Notes in amount of RON 238,599 thousand that were purchased by Raiffeisen Bank International AG. The instruments are classified as equity instruments in accordance to IAS 32 "Financial Instruments: Presentation" and meet the criteria for inclusion in Group Tier 1 capital (see *note 38 Other equity instruments*).

Also in December 2019, the Bank issued unsecured, subordinated RON-denominated bonds in nominal amount of RON 480,000 thousand that qualify as Tier 2 instruments as defined by Regulation (EU) No. 575/2013 (see note *34 Total long term debt*).

43. SEGMENTS CONSOLIDATION

Key decisions are made by chief operating decision makers determining the resources allocated to each segment based on its financial strength and profitability.

The Group follows financial performance and steers the business by segments and products, namely customer business consists of Corporate, Retail, Financial Institutions and Own employees. Corporate comprises legal entities with an annual turnover exceeding EUR 5 million. Retail contains individual clients and legal entities with an annual turnover below the EUR 5 million threshold (small and medium entities), while Financial Institutions (part of Treasury Division) deals with brokers, banks, insurance companies, leasing firms, investment and pension funds, as well as asset management companies.

The Group offers a wide array of banking services to its customers, adapted to the ever changing needs of our clients, but with maintained focus on the basics of banking.

Customer business lines bring in more than 85% of the Group's operating income, with following specifics worth mentioning: corporate clients chiefly draw their revenue streams from lending business, followed by fees from cash management, account services, foreign currency deals and investment banking activity.

Small clients also share these characteristics, while their unique business traits are visible through more intense payment and account activity, thus generating visibly greater proportion of the revenues as fees.

Private individual customers provide a highly diversified revenue source for the Group, mainly from unsecured loans, credit card and overdraft facilities, but also from mortgage loans, saving products and transactional business, FX deals and asset management services, as well as from the activity of intermediating transactions on the stock exchange; the Group continues to focus its attention on promoting alternative channels usage and thus provide improved services with advantages for both sides.

Proprietary business consists of Treasury Division (less Financial Institutions) and "Others" segment (less Own employees). The first mainly provides income streams from treasury activities, namely trading revenues, net income from financial assets held at fair value through profit or loss, as well as from interest contribution. The latter shows revenues mainly obtained as a result of transfers among segments, capital benefit, income generated by participations.

Regarding the segmentation by geographical area, the Group is performing its activity mainly under geographical area of Romania.

43. SEGMENTS CONSOLIDATION (continued)

Group			**2021**			
In RON thousand	**Corporate Customers**	**Private Individuals**	**SME**	**Treasury Division**	**Others**	**Total unit**
Total Assets before impairment allowance on loans and advances to customers at amortised cost	12,705,209	17662,122	3,513,199	22,089,805	5,244,146	61,214,481
Impairment allowance on loans and advances to customers at amortised cost	(329,684)	(838,591)	(200,552)	(281)	(11,912)	(1,381,020)
Total Assets	**12,375,525**	**16,823,531**	**3,312,647**	**22,089,524**	**5,232,234**	**59,833,461**
Total Liabilities	**9,882,197**	**29,555,488**	**8,686,846**	**3,542,282**	**2,811,849**	**54,478,662**
Equity	**-**	**-**	**-**	**-**	**5,354,799**	**5,354,799**
Net interest income	339,575	1,016,443	276,702	23,728	137,922	1,794,370
Net commission income	107,479	265,818	177,712	25,058	(252)	575,815
Net trading income	53,978	173,769	64,819	66,295	645	359,506
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	41	(13,390)	(126)	(174)	297	(13,352)
Gains or (-) losses from hedge accounting, net	-	-	-	(1,911)	-	(1,911)
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	2,694	(1)	2,693
Other net operating income*	(29,427)	(51,179)	(4,063)	116,465	(3,588)	28,208
Total Operating income	**471,646**	**1,391,461**	**515,044**	**232,155**	**135,023**	**2,745,329**
Operating expenses	(97,076)	(548,655)	(166,459)	(19,704)	(117,813)	(949,707)
Personnel expenses	(80,856)	(385,138)	(141,344)	(20,947)	(14,577)	(642,862)
Net provisioning for impairment allowance on financial assets	(3,006)	(85,524)	(20,764)	(2,043)	3,200	(108,137)
Share of gain from associates and joint ventures	-	-	-	-	2,824	2,824
Profit before tax	**290,708**	**372,144**	**186,477**	**189,461**	**8,657**	**1,047,447**
Income taxes	-	-	-	-	(228,895)	(228,895)
Profit after tax	**290,708**	**372,144**	**186,477**	**189,461**	**(220,238)**	**818,552**

*) Other operating income for the segments mainly contain the re-distribution of the cost of capital from Treasury to the other segments, relative to the regulatory assets held by Treasury, like Stress buffer and Minimum reserve.

43.SEGMENTS CONSOLIDATION (continued)

Group

Group	2020					
In RON thousand	Corporate Customers	Private Individuals	SME	Treasury Division	Others	Total unit
Total Assets before impairment allowance on loans and advances to customers at amortised cost	10,723,320	15,857,000	2,856,958	18,655,733	5,291,723	53,384,734
Impairment allowance on loans and advances to customers at amortised cost	(290,857)	(822,975)	(163,487)	(113)	(54,097)	(1,331,529)
Total Assets	**10,432,463**	**15,034,025**	**2,693,471**	**18,655,620**	**5,237,626**	**52,053,205**
Total Liabilities	**8,669,196**	**26,203,117**	**7,501,115**	**2,702,675**	**1,473,558**	**46,549,661**
Equity	**-**	**-**	**-**	**-**	**5,503,544**	**5,503,544**
Net interest income	327,901	988,722	268,876	28,892	135,256	1,749,647
Net commission income	117,865	200,334	183,907	28,834	(3,610)	527,330
Net trading income	45,378	139,698	55,069	92,956	341	333,442
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(28)	13,882	2,661	783	186	17,484
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	8,168	1	8,169
Other net operating income	-	-	-	-	25,042	25,042
Total Operating income	**491,116**	**1,342,636**	**510,513**	**160,434**	**157,216**	**2,661,915**
Operating expenses	(116,845)	(467,426)	(152,954)	(24,612)	(147,227)	(909,064)
Personnel expenses	(90,478)	(398,421)	(146,377)	(19,745)	(11,255)	(666,276)
Net provisioning for impairment allowance on financial assets	(83,581)	(163,409)	(68,351)	(2,262)	2,072	(315,531)
Share of gain from associates and joint ventures	-	-	-	-	(261)	(261)
Negative goodwill	-	-	-	-	-	-
Profit before tax	**200,212**	**313,380**	**142,831**	**113,815**	**545**	**770,783**
Income taxes	0	0	0	0	(134,174)	(134,174)
Profit after tax	**200,212**	**313,380**	**142,831**	**113,815**	**(133,629)**	**636,609**

43. SEGMENTS CONSOLIDATION (continued)

Bank

In RON thousand	2021					
	Corporate Customers	**Private Individuals**	**SME**	**Treasury Division**	**Others**	**Total unit**
Total Assets before impairment allowance on loans and advances to customers at amortised cost	12,246,926	17,617,977	2,904,133	21,814,332	5,913,821	60,497,189
Impairment allowance on loans and advances to customers at amortised cost	(313,902)	(838,505)	(176,218)	(281)	(10,858)	(1,339,764)
Total Assets	**11,933,024**	**16,779,472**	**2,727,915**	**21,814,051**	**5,902,963**	**59,157,425**
Total Liabilities	**9,874,427**	**29,468,023**	**8,677,300**	**2,602,894**	**3,335,866**	**53,958,510**
Equity	**-**	**-**	**-**	**-**	**5,198,915**	**5,198,915**
Net interest income	330,174	1,013,547	257,730	14,713	138,397	1,754,561
Net commission income	104,531	227,223	168,434	25,219	371	525,778
Net trading income	53,978	173,769	64,819	67,173	646	360,385
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	41	(13,390)	(126)	-	297	(13,178)
Gains or (-) losses from hedge accounting, net	-	-	-	(1,911)	-	(1,911)
Net gains/(losses) on derecogn ition of financial assets measured at fair value through other comprehensive income	-	-	-	2,693	-	2,693
Other net operating income *	(29,792)	(29,839)	(7,258)	116,465	(1,072)	48,504
Total Operating income	**458,932**	**1,371,310**	**483,599**	**224,352**	**138,639**	**2,676,832**
Operating expenses	(94,490)	(541,178)	(158,989)	(19,529)	(56,522)	(870,708)
Personnel expenses	(76,805)	(376,701)	(130,634)	(20,824)	(8,825)	(613,789)
Net provisioning for impairment allowance on financial assets	(1,587)	(85,662)	(25,806)	(2,043)	(68,465)	(183,563)
Profit before tax	**286,050**	**367,769**	**168,170**	**181,956**	**4,827**	**1,008,772**
Income taxes	-	-	-	-	(220,312)	(220,312)
Profit after tax	**286,050**	**367,769**	**168,170**	**181,956**	**(215,485)**	**788,460**

*) Other operating income for the segments mainly contain the re-distribution of the cost of capital from Treasury to the other segments, relative to the regulatory assets held by Treasury, like Stress buffer and Minimum reserve.

43. SEGMENTS CONSOLIDATION (continued)

Bank

	2020					
In RON thousand	**Corporate Customers**	**Private Individuals**	**SME**	**Treasury Division**	**Others**	**Total unit**
Total Assets before impairment allowance on loans and advances to customers at amortised cost	10,551,371	15,807,286	2,611,745	18,373,576	5,223,641	52,567,619
Impairment allowance on loans and advances to customers at amortised cost	(288,527)	(822,949)	(153,767)	(113)	(19,351)	(1,284,707)
Total Assets	**10,262,844**	**14,984,337**	**2,457,978**	**18,373,463**	**5,204,290**	**51,282,912**
Total Liabilities	**8,666,667**	**26,013,985**	**7,501,081**	**2,306,210**	**1,418,218**	**45,906,161**
Equity	**-**	**-**	**-**	**-**	**5,376,751**	**5,376,751**
Net interest income	318,938	984,592	249,870	16,454	137,292	1,707,146
Net commission income	115,775	167,893	175,709	28,890	(3,540)	484,727
Net trading income	45,378	139,698	55,069	92,986	624	333,755
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(28)	13,882	2,661	282	186	16,983
Gains or (-) losses from hedge accounting, net	-	-	-	801	-	801
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	8,168	-	8,168
Other net operating income	-	-	-	-	62,834	62,834
Total Operating income	**480,063**	**1,306,065**	**483,309**	**147,581**	**197,396**	**2,614,414**
Operating expenses	(114,137)	(460,341)	(145,794)	(24,307)	(138,308)	(882,887)
Personnel expenses	(86,245)	(390,617)	(135,192)	(19,529)	(4,959)	(636,542)
Net provisioning for impairment allowance on financial assets	(81,251)	(163,382)	(58,631)	(2,262)	(15,839)	(321,365)
Profit before tax	**198,430**	**291,725**	**143,692**	**101,483**	**38,290**	**773,620**
Income taxes	-	-	-	-	(129,480)	(129,480)
Profit after tax	**198,430**	**291,725**	**143,692**	**101,483**	**(91,190)**	**644,140**

44. SUBSEQUENT EVENTS

The current political and economic outlook in Ukraine may lead to increased global uncertainty, energy supply shortage and a potential decline in the economic growth.

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

As of the date of preparation and authorization for issuance of the financial statements, the management of the Bank has assessed the current political and economic outlook and the measures already taken, or planned, by the Romanian Government, NBR and the EC that may negatively impact the Bank. Based on this assessment and the review of the public information presently available, management does not expect the economic impact of the current developments to materially impair the ability of the Bank to continue as a going concern. Due to the uncertain nature of the current developments, it is still premature to quantify the potential impact in the financial results of the Bank for 2022 and beyond. Any economic impact upon the Bank and its customers with economic ties to this geographic area at risk, will depend primarily on the duration of the war and the intensity of political and economic measures taken and the restrictions implemented.

A potential negative impact upon the economic environment in which the Bank operates, its financial position and performance for the medium term, cannot be ruled out. Management closely monitors any developments and is prepared to take appropriate measures. These possible future measures, adopted by the Bank, could concern the areas of accounting estimates and methods of calculating loss allowances and provisions for credit risk according to IFRS 9. Nevertheless, at the date of these financial statements, the Bank continues to meet its obligations as they are due and, based on its assessment of the current events and potential developments, the Bank applies the going concern as basis of preparation.