Raiffeisen BANK

Proper banking

ANNUAL REPORT 2019

Survey of Key Data

CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS

	2019* EUR '000	2018* EUR '000	CHANGE (%)
PROFIT AND LOSS			
Net interest income	370,751	329,486	13%
Net commission income	123,016	137,344	-10%
Trading profit	70,136	76,941	-9%
Administrative expenses	-327,959	-290,960	13%
Profit/(loss) before tax	215,454	229,360	-6%
Profit/(loss) after tax, before the net income obtained from the sale of interrupted activity	175,905	192,068	-8%
Net profit for the year	175,905	192,068	-8%
Number of ordinary shares	12,000	12,000	0%
Earnings per share (in EUR/share)	14,659	16,006	-8%
BALANCE SHEET			
Loans and advances to banks (including placements with banks)	43,376	93,882	-54%
Loans and advances to customers	5,849,635	5,687,212	3%
Deposits from banks	64,585	114,940	-44%
Loans from banks	107,330	173,653	-38%
Deposits from customers	7,555,254	7,086,602	7%
Equity (including minorities and profit)	1,010,756	897,151	13%
Balance-sheet total	9,176,322	8,746,872	5%
REGULATORY INFORMATION			
Risk-weighted assets, including market risk	5,136,409	5,079,911	1%
Total own funds	996,855	848,593	17%
Total own funds requirement	410,913	406,393	1%
Excess cover ratio	143%	109%	33.8 PP
Core capital ratio (Tier 1), including market risk	15.7%	14.7%	1 PP
Own funds ratio	19.4%	16.7%	2.7 PP
PERFORMANCE			
Return on equity (ROE) before tax	26.3%	31.9%	-5.5 PP
Return on equity (ROE) after tax	21.5%	26.7%	-5.2 PP
Cost/income ratio	55.6%	52.1%	3.4 PP
Return on assets (ROA) before tax	2.4%	2.8%	-0.3 PP
Risk/earnings ratio	10.0%	11.5%	-1.5 PP
RESOURCES			
Number of employees	4,962	5,087	-2%
Business outlets	351	419	-16%

*Informative conversion in euro, unaudited

Summary

Foreword and Presentation of the Group

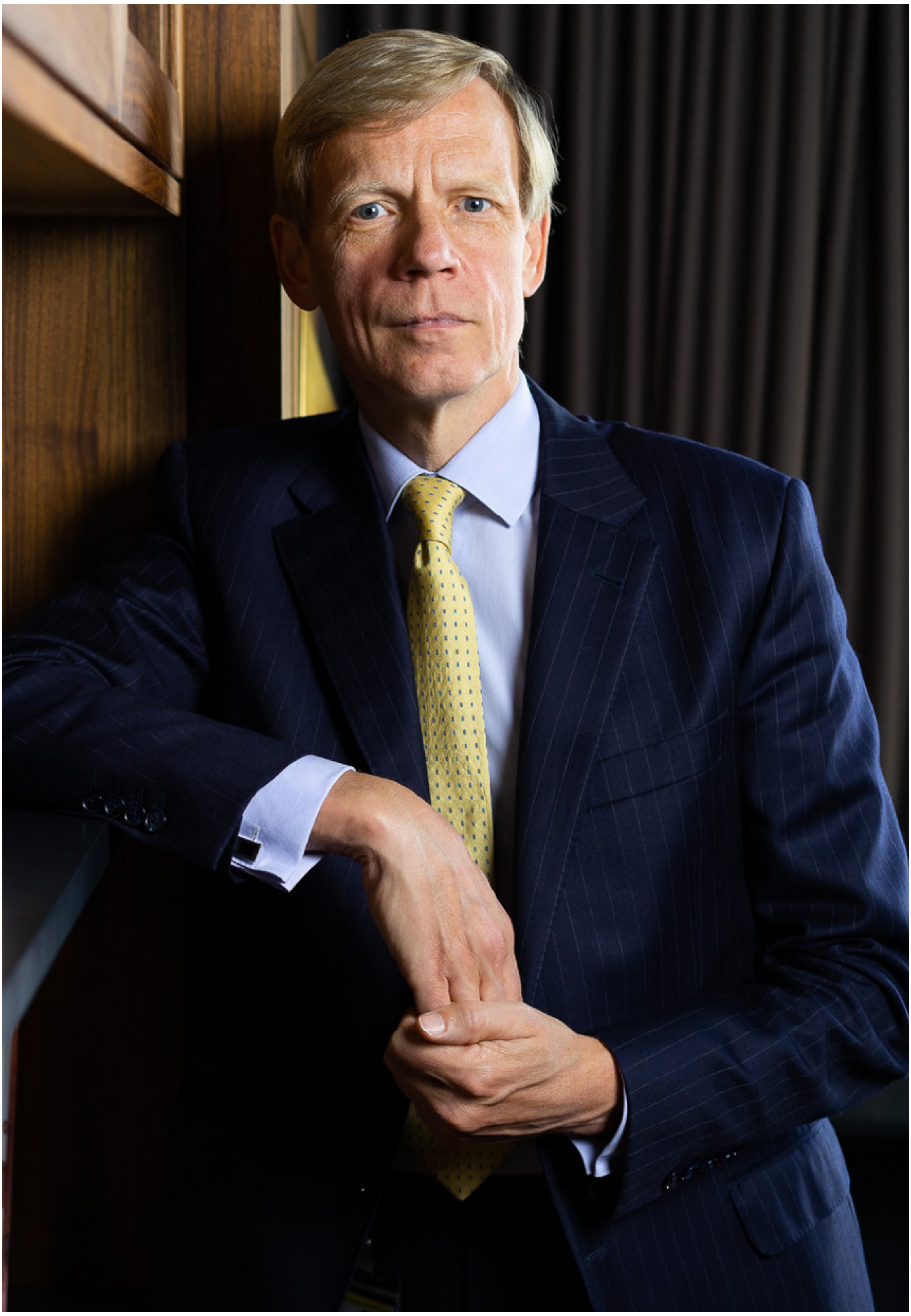
IN FOCUS IN 2019

DIGITAL ECOSYSTEM, BANKING SOLUTIONS FOR THE FUTURE

Over 500,000 of the Bank's 700,000 digital customers are already using the new mobile and internet banking applications, **Smart Mobile and Raiffeisen Online.** The two applications offer new options and functionalities, including login and authorization 100% online, via SmartToken or biometric methods (fingerprint or Face ID), and they represent a step further taken by Raiffeisen Bank towards fully digitized, intuitive, secure and easy to use banking services.

Foreword

"If I were to summarize the year 2019 in one word, that would be «digitalization». Given that the environment in which we operate is constantly changing and has uncertain evolutions, the fact that our development is steady and balanced confirms, once again, that we are a strong and responsible organization."
Steven van Groningen, President & CEO of Raiffeisen Bank



Foreword

According to the financial calendar, we publish our annual report for 2019 at the end of April 2020, to present to our shareholders, stakeholders and the general public details on all the activities performed last year by Raiffeisen Bank and our subsidiaries.

Today, when the entire world is different and affected by the coronavirus pandemic, it seems as if we refer to a distant past. However, it is my belief that we should all be consistent and transparent in all respects. I am referring first and foremost to our values and business principles: responsibility, proactivity, learning and collaboration.

If I were to summarize the year 2019 in one word, that would be "digitalization". Our prior investments in technology and our efforts resulted in a series of digital product launches in 2019: the new internet and mobile banking applications, phone payment apps (RaiPay and Apple Pay) and contactless payment by smartwatch (Garmin Pay) or 100% online personal loans.

2019 was a successful year for us in terms of financing the Romanian economy as well, and I am referring to all segments, from startups – via the factory by Raiffeisen Bank program – to SMEs and large corporations operating in Romania. As you know, we constantly measure our customers' satisfaction across all segments to understand what we should improve; last year, for instance, we registered the highest net promoter score in our corporate segment.

Fiscal 2019 was a good year for Raiffeisen Bank, and the financial results detailed further in this annual report depict a sound and well-capitalized bank, very important features today, when the macroeconomic outlook has been drastically adjusted downwards under the pandemic circumstances, as well as the necessary measures taken by the authorities. Thus, we report a net profit of EUR 175.9 million for 2019, with a core capital ratio (Tier 1) of 15.7% and a ROE after tax of 21.5%. 2019 was a year of net growth both in terms of loans to customers (+3%) and customer deposits (+7%). We ended the year servicing more customers than the previous year, an increase of 2% in the number of customers.

Operational expenses increased by a higher percentage than the increase in revenues, given that raising the salaries of our employees – and I am referring here to those with lower salaries – was necessary.

Contributions to deposit guarantee funds increased substantially in 2019, while the bank tax also emerged as a new development. We have continued to invest in our digital capabilities, which is another growing category of operating costs.

On behalf of the management team, I thank all our customers – some of them have been with Raiffeisen Bank for 10 or 20 years, others have joined us more recently – and I thank all the colleagues for their professionalism, outstanding effort and ethical behavior. Last, but not least, I thank our shareholders for having trusted our business strategy for the Romanian market, where we have proved that a long-term, responsible banking strategy can be successful.

Let me finish by saying that I am confident that we will meet each other soon and in good health, that together we will overcome these moments of crisis, and that together still we will find solutions and opportunities for the Romanian economy.

Steven van Groningen,
President and CEO Raiffeisen Bank

MEMBERS OF THE SUPERVISORY BOARD, AS OF 2020, APRIL 1ST

Johann Strobl – CHAIRMAN
Hannes Mösenbacher – VICE-PRESIDENT
Andreas Gschwenter – MEMBER
Peter Lennkh – MEMBER
Ileana Anca Ioan – INDEPENDENT MEMBER
Ana Maria Mihăescu – INDEPENDENT MEMBER
Lukasz Janusz Januszewski – MEMBER
Andrii Stepanenko – MEMBER

MEMBERS OF THE MANAGEMENT BOARD, AS OF 2020, APRIL 1ST

Steven van Groningen – PRESIDENT & CEO
Cristian Sporiș – VICE-PRESIDENT, CORPORATE BANKING DIVISION
James D. Stewart, Jr. – VICE-PRESIDENT, TREASURY & CAPITAL MARKETS DIVISION
Bogdan Popa – VICE-PRESIDENT, OPERATIONS & IT DIVISION
Vladimir Kalinov – VICE-PRESIDENT, RETAIL BANKING DIVISION
Mircea Busuioceanu – VICE-PRESIDENT, RISK DIVISION
Mihail Ion – VICE-PRESIDENT, FINANCIAL CONTROLLING & ACCOUNTING DIVISION

RAIFFEISEN BANK' STRUCTURE, AS OF 2020, APRIL 1ST

President
- Audit
- Legal & Corporate Governance
- Human Resources
- Communication & Public Relations
- Compliance
- Digital Transformation & Innovation
- Risk Prevention & Work Protection Team

Financial Controlling & Accounting *Vice-president*
- Accounting
- Financial Controlling
- Data Office
- Business Intelligence Development
- Management Information System Department

Risk *Vice-president*
- Non-Retail Credit Risk
- Leasing Risk Department
- Retail Risk
- Credit Restructuring & Recovery
- Group Risk Controlling and Portfolio Management
- Risk Architecture, Advanced Analytics & Early Warning Signs
- Collateral Department

Retail Banking *Vice-president*
- Marketing
- Cards & Digital Payments
- Private Individual Customers
- SME
- Customer Experience & Alternative Sales
- Retail Network
- Retail Sales Management & Analytics
- Friedrich Wilhelm Raiffeisen

Corporate Banking *Vice-president*
- Large Corporate
- Regional Corporates and Public Sector
- Transaction Services
- Project and Corporate Structured Financing
- Sales Management & Corporate Support Department

Treasury & Markets *Vice-president*
- Capital Markets
- B/S & Portfolio Management
- Economic and Sectorial Research
- Financial Institutions & GSS
- Investment Banking Department
- Middle Office Department

Operations & IT *Vice-president*
- Project Management Office Department
- Security Department
- IT
- Operations
- Brașov Operational Center
- Procurement Department
- Logistics & Property Management Department

Corporate Governance

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

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

THE GENERAL MEETING OF SHAREHOLDERS (GMS)

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

The Ordinary General Meeting of Shareholders' main competences:

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

The Extraordinary General Meeting of Shareholders' main competences:

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

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

ADMINISTRATION STRUCTURE

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

THE SUPERVISORY BOARD (SB)

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

As at 31.12.2019, the Supervisory Board structure and the professional background of its members were as follows:

Johann Strobl – Chairman
Ph.D. in Economics at the University of Economics and Business Administration, Vienna, Austria

Martin Grüll – Vice-president
BA from the University of Economics and Business Administration, Vienna, Austria

Peter Lennkh – Member
Master in Economics and Business Administration at the University of Economics and Business Administration, Vienna, Austria

Andreas Gschwenter – Member
MBA at the University of Innsbruck, Austria

Ileana Anca Ioan – Independent member
Graduate of the Romanian-Canadian MBA Program and the Faculty of Automation of the Bucharest Polytechnic Institute

Hannes Mösenbacher – Member
Ph.D. in Economics at the University of Economics and Business Administration, Vienna, Austria

Ana Maria Mihăescu – Independent member
Graduate of the Faculty of International Economic Relations, Academy of Economic Studies, Bucharest

Andrii Stepanenko – Member
Ph.D. in Finance, Kiev National University of Economics, Ukraine

Lukasz Janusz Januszewski – Member
Master Degree of Economics, University of Warsaw, Poland

The main competences of the Supervisory Board:

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

During 2019, 4 Supervisory Board meetings took place and their decisions were made by the unanimous votes of the attending members. Also, a number of 17 decisions were made by circulation.

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

The 5 committees set up by the Supervisory Board:

The Audit Committee

The objectives of the Audit Committee are to contribute to the improvement of the Bank activity (in developing and maintaining a good management practice) and to assist the Management Board and the Supervisory Board in their missions. The Audit Committee acts as the interface between the bank and the statutory auditor or audit firm, and has an important contribution to keep a transparent relationship with the Bank's shareholders. The statutory auditor or audit firm shall report to the Audit Committee on the essential issues arising from the statutory audit and, in particular, on the significant internal control deficiencies in the financial reporting process. The Audit Directorate regularly provides the Audit Committee with reliable information about its activity carried out. The Audit Committee acknowledge the synthesis of the audit reports concluded by the internal audit and informs the Management Board about the decisions considered appropriate for the improvement of the Bank's activity and of the internal control, based on the internal audit recommendations included in audit reports. The responsibilities, organization and way of operation are defined by the Rules of Organization and Operations of Raiffeisen Bank S.A.

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

Ana Maria Mihăescu – Chairman (independent member on the Supervisory Board)
Martin Grüll – Member
Ileana Anca Ioan – Member (independent member on the Supervisory Board)

During 2019, 4 Audit Committee meetings took place, the Committee's decisions being made by the unanimous votes of the attending members.
Also, it was one decision made by circulation.

The Nomination Committee
The Nomination Committee identifies and recommends to the Supervisory Board or the Bank's GMS to approve of the candidates who will fill in the vacancies on the Management Board, and the Supervisory Board, respectively, and it regularly assesses the balance of knowledge, skills, diversity and experience within the Supervisory Board and Management Board as well as the knowledge, skills and experience of each member of the Supervisory Board and of the Management Board and of the management bodies (Supervisory Board and respectively Management Board) as a whole.
The responsibilities, the organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank S.A.

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

Johann Strobl – Chairman
Martin Grüll – Member
Ileana Anca Ioan – Member (independent member on the Supervisory Board)

During 2019, the Nomination Committee held one meeting, their decisions being made by the unanimous votes of the attending members.

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

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

Johann Strobl – Chairman
Martin Grüll – Member
Ileana Anca Ioan – Member (independent member on the Supervisory Board)

During 2019, the Remuneration Committee held one meeting, its decisions being made by the unanimous votes of the attending members. Also, it was one decision made by circulation.

The Executive Credit Committee
The Executive Credit Committee is empowered to approve the granting of loans including credit lines and contingent liabilities to a single borrower (or to one of more borrowers of an "economic entity") and country risk decisions which require the approval of the Supervisory Board according to the Bylaws of the Credit Committee approved by the Supervisory Board.
Also, the Executive Credit Committee is empowered to approve the restructuring, setting aside or releasing provisions and write-off of a problematic exposure and other matters in connection with handling of problem loan exposures of a single borrower (or one of more borrowers of an "economic entity") which require the approval of the Supervisory Board according to the Bylaws of the Problem Loan Committee approved by the Supervisory Board.
The responsibilities, organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank S.A.

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

Hannes Mösenbacher – Chairman
Peter Lennkh – Member

During 2019, the Executive Credit Committee made 64 decisions by the unanimous votes of its attending members.

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

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

Hannes Mösenbacher– Chairman
Johann Strobl – Member
Peter Lennkh – Member

During 2019, the Supervisory Board Risk Committee held 2 meetings, its decisions being made by the unanimous votes of the attending members. Also, it was one decision made by circulation.

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

As at 31.12.2019, the Management Board structure and the professional background of its members were:

Steven van Groningen – President
Master in the Corporate Law, University of Leiden, The Netherlands

James Daniel Stewart, Jr. – Vice-president
Graduate of Finances and International Relations, University Lehigh-Bethlehem, BA USA

Vladimir Kalinov – Vice-president
Graduate of the Marketing and Management Institute, New Delhi, and of the Faculty of Commerce, University of New Delhi, India

Cristian Sporiș – Vice-president
Graduate of the Faculty of Finances, Insurance, Banks and Stock Exchanges, Bucharest University of Economic Studies, Romania

Mircea Busuioceanu – Vice-president
Graduate of the Executive MBA Program, University of Sheffield, and the Faculty of Finances, Banks and Accounting, Bucharest University of Economic Studies, Romania

Bogdan Popa – Vice-president
MBA in Financial-Banking Management, "Alexandru Ioan Cuza" University of Iași, Romania

Mihail Ion – Vice-president
Ph.D. in Economics at the Academy of Economic Studies, Bucharest and graduate of the Faculty of Finances, Insurance, Banks and Stock Exchanges, Finance and Banks specialization, Academy of Economic Studies, Bucharest

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

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

- Assessment of the actual financial situation of the Bank and of the potential threats;
- Decision to initiate a recovery measure;
- Nomination of the recovery team responsible to implement the initiated measure;
- Monitoring of the execution of the initiated recovery measure and decision on further actions to be taken.

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

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

The main competences of the Management Board:

- The Management Board has all the powers of management and disposal and of authorization of all transactions falling within the Bank's scope and has competences in the field of monitoring the appropriate and productive functioning of the internal control system, except for the competences expressly granted by law or by other Bank's regulations to the Supervisory Board's and/or the GMS's competence(s);
- Take measures to adopt all business decisions for the implementation of the provisions of the business plan and the budget of Bank;
- Approve the Rules of Organization and Operation (ROO) – in Romanian called ROF;
- Approve the Organizational Chart and internal structure of the directorates;
- Approve the Collective Bargaining Contract – in Romanian called CCM;
- Appoint and revoke the Directors in the HQ and network and decide their remuneration. For territorial units, no matter the type, these competences are delegated to the Vice-president, coordinator of Retail Banking Division;
- Approve the acquisition/sale/disposal of assets;
- Approve the set-up/closure of new subsidiaries;
- Approve capital increase/decrease of subsidiaries;
- Approve Bank investments/divestment in other companies or financial institutions;
- Establish competencies regarding credit granting (Credit Committee);
- Approve the credit terms for 3rd parties in special relationship with the Bank;
- Approve the number of personnel and establish the remuneration policy in the Bank;
- Approve the credit norms for Bank's employees;
- Establish the various committees under its supervision provided by the law, may establish other committees and ratifies their decisions;
- The Management Board approves/reviews the Bank's strategies and policies (including those risk-related) and reviews and submits to Supervisory Board Risk Committee for approval the risk strategy, the risk profile and the Bank's risk manual as well as the results of the yearly risk assessment;
- Any other competences pursuant to mandatory legal provisions (that cannot be legally delegated).

The Management Board set up a number of 9 committees, namely: Asset and Liabilities Committee, Risk Committee, Credit Committee, Problem Loan Committee, Private Individuals Credit Committee, Project Portfolio Committee, Rules and Procedures Committee, Security Council and Investment & Product Governance Committee.
Also, mention should be made that the Management Board has delegated a series of competences as follows:

To the Credit Committee – the implementation of the credit policies within the limit of the competences granted and the administration of the credit risk;

To the Risk Committee – the supervision of the implementation and observation of the "General Principles of Risk Management" in Raiffeisen Bank S.A., except for the liquidity risk and market risk (delegated to the Asset and Liabilities Committee) and the lending risk (delegated to the Credit Committee);

To the Asset and Liabilities Committee – the management of the Bank's balance-sheet and the drawing up of the overall financial policy of Raiffeisen Bank S.A.; the monitoring and establishing of the limits for the liquidity risk and the market risk; the approval of the pricing strategy (interest rates, commissions and fees, and taxes);

To the Rules and Procedures Committee – the approval of the rules and procedures to be applied in the Bank.

During 2019, the Management Board held 91 meetings, and its decisions were made by the unanimous votes of the attending members. Also, 4 decisions were made by circulation.

The 9 committees set up by the Management Board:

Asset and Liabilities Committee (ALCO)
ALCO is responsible for managing the Bank's balance sheet aiming at achieving sustained growth, profitability and solvency. The main goal is to manage assets and allocate funding sources by aligning growth and profitability targets as well as funding mix and capital constraints in order to meet return and risk objectives.
From within the Risk Framework, the ALCO:
- Sets the strategies for the management funding, liquidity, interest rate risk and market risk as well as capital planning;
- Establishes guidelines to meet various applicable regulatory rules and statues;
- Forms a consistent co-policy with other policies of the Bank therefore aligning the management of various risks facing the Bank;
- Approves the pricing strategy (interest rates, commissions and fees).

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

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

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

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

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

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

The Security Council
The Security Council proposes the strategy of security to the Management Board, it decides on the security policies and it confirms the management's commitment to granting an active support to security within the organization.

The Investment & Product Governance Committee
The Investment & Product Governance Committee acts on two distinct areas of competence:
- The Investment Advisory competence is aimed at endorsing and monitoring the investment strategy supporting the Investment Advisory Service.
- The Product Governance competence manages the Bank's Product Governance Process (PGP) for financial instruments offered to specific target markets regardless if they are distributed for execution only, advisory free or advisory. A PGP needs to be done for all in-scope products manufactured

and distributed (including third-party products) and has the purpose to fulfill the legal and compliance requirements to offer this specific product to the defined end client and to provide strategic decisions if and via which a product should be offered.

CONFLICTS OF INTEREST

The applicable internal regulations require both the Management Board and the Supervisory Board of Raiffeisen Bank S.A. to declare any potential interest conflicts.

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

The Supervisory Board members should immediately report to the President of the Supervisory Board all the potential conflicts of interest. In the event the President himself is faced with a conflict of interest, he should immediately report it to his Vice-president.

The company contracts concluded with the Supervisory Board members that compel them to render a service in favor of the company or a subsidiary, outside their obligations as Supervisory Board members, in exchange of a compensation at all insignificant, requires the approval of the Supervisory Board. This also applies to contracts concluded with companies in which a Supervisory Board member has a significant financial interest.

PRACTICES OF REMUNERATION AND SELECTION AND ELEMENTS OF DIVERSITY

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

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

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

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

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

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

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

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

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

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

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

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

This report is drawn up for the year 2019 and is published on the Bank's website at: www.raiffeisen.ro/despre-noi/guvernanta-corporativa/transparenta-si-publicare

Supervisory Board Report

Johann Strobl
Chairman of the Supervisory Board

Ladies and Gentlemen,

Raiffeisen Bank ended 2019 with a net profit of EUR 164 million, the second highest in the Bank's history. This very good result was achieved despite slight turbulence in the political and fiscal environment. The ROE remained excellent, at above 20 per cent. The Bank's assets increased by 7 per cent, to nearly EUR 9 billion. The Bank continued to provide much-needed funding to the real economy, and loans to customers increased by 6 per cent, to EUR 5.7 billion, while customer deposits advanced by 8 per cent, to EUR 7.5 billion. The strong development of the Bank's results is based on organic and balanced growth for all business segments and for all relevant products in our portfolio. Raiffeisen Bank also continued to strengthen and optimize its capital structure including the issuance of a EUR 50 million Additional Tier 1 capital perpetual bond during the reporting period, a "first" for the Romanian market, thus paving the way for other local banks to access this type of high-quality capital instrument. Overall, the Bank further improved its foundations with a sound loans to deposit ratio of 76 per cent, a solid capital adequacy ratio of 20 per cent, as well as a comfortable NPL ratio of 4.1 per cent.

In the 2019 financial year, the members of the Supervisory Board held four meetings. The overall attendance rate for Supervisory Board meetings was therefore around 97 per cent.

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

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

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

The Supervisory Board was regularly informed regarding the activities carried out in 2019 by its sub-committees. It agreed with the Management Board's report on Raiffeisen Bank's audited financial statements for the 2019 financial year, drawn up in compliance with International Financial Reporting Standards.

I would like to take this opportunity to thank our customers for their continued trust and all the employees of Raiffeisen Bank for their hard work and unwavering efforts in 2019, as well as to ask for their continued commitment in tackling any challenges going forward.

On behalf of the Supervisory Board,

Johann Strobl
Chairman of the Supervisory Board

Raiffeisen Bank International at a Glance

Raiffeisen Bank International (RBI) is the leading corporate and investment bank in Austria, its home country, and a leading universal bank in Central and Eastern Europe (CEE), where it has been very active for over 30 years.

RBI global presence

CEE
Albania
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Hungary
Kosovo
Moldova
Poland
Romania
Russia
Serbia
Slovakia
Ukraine

Europe (without CEE)
Austria
Belgium
France
Germany
Sweden
Turkey
United Kingdom

North America
The USA

Asia
China
India
Singapore
South Korea
Vietnam

RBI offers corporate and investment banking products to Austrian and international companies, a banking and leasing network in CEE for both corporate and retail clients, as well as corporate and investment banking services in Western Europe, the USA and Asia, covering the major financial centers in the world.

In addition to CEE, the second important geographical area of the Group is Asia, with branches in China and Singapore and offices in Vietnam, India, Hong Kong and Seoul. This presence demonstrates the Group's strategy of focusing on emergent markets.

In CEE, subsidiary banks are present in 15 countries. The Group also includes numerous other financial service providers, which operate in areas such as leasing, asset management, M&A, equity investments, real estate project developemnt, fund and project management.

RBI AG shares have been listed on the Vienna Stock Exchange since 2005. At year-end 2019, RBI's total assets stood at €152 billion. Raiffeisen regional banks hold approximately 58.8% of RBI shares, with the remaining approximately 41.2% in free float.

Highlights 2019

IN FOCUS IN 2019

STATE-OF-THE-ART DIGITIZED SERVICES

Raiffeisen Bank customers can get a loan for personal needs **within just 10 minutes** from application until receiving the money in their current account, exclusively online. With the introduction of **Flexicredit Online,** it is no longer necessary to visit a branch, as the documents are signed by qualified electronic signature.

Raiffeisen Bank had a full event calendar the year round in 2019: product and service launches, events designed to support the Romanian business and entrepreneurial environment, cultural and sports events. Our team's efforts focused mainly on building a digital ecosystem that would increasingly enable the interaction between customers and the Bank – a message that was also transmitted through a new communication campaign – and on supporting the startups and those who come up with effective solutions for community development.

JANUARY

"factory by Raiffeisen Bank", back to the start line

For the second edition of the "factory by Raiffeisen Bank" program, startups have begun to sign up since the first day it was announced. This startup-lending program selects entrepreneurs with innovative projects, granting them, under special conditions, funding up to 50,000 euros. At the first edition, Raiffeisen Bank granted loans worth of 3.5 million lei to 27 projects.

FEBRUARY

The new "Flexicredit Online" is launched, allowing clients to get personal loans, 100% online

As of February 11, Raiffeisen offers its customers the opportunity to get personal loans, Flexicredit, within 10 minutes, exclusively online. The signing of all contract related documents is done by using the qualified electronic signature, with no interaction with the Bank's representatives, and the money is automatically transferred in the applicant's current account.

Raiffeisen Bank continues its strategic partnership for the Via Transilvanica project fulfilment
Raiffeisen Bank extended the partnership with Tășuleasa Social aiming to complete Via Transilvanica, a 1,000 km long trail that starts from Putna (in northern Moldova), passing through ten counties and ending in Drobeta-Turnu Severin (in Oltenia, on the border with Serbia and Bulgaria), out of which 400 km are already finished. Via Transilvanica will contribute to the development of the communities it crosses and will promote the alternative tourism in Romania. The famous Camino de Santiago from Spain inspired the project, and the trail will be opened to pilgrims by foot, bike or horseback.

Raiffeisen Acumulare is designated the best performing private pension fund (Pilon III)
At the Inauguration Gala of the 2019 Stock Year, an event organized on February 27 by the Bucharest Stock Exchange, Raiffeisen Acumulare was awarded the title of "The best performing private pension fund Pillar III". The title was granted based on the fund's performance over the last 10 years (December 2008 – December 2018), during which the contributors benefited from a cumulative yield of 115.4%.

MARCH

Alongside the #LeadersOfChange at "The Woman" Leadership Conference
The Female Leadership Conference "The Woman" is an event powered by Raiffeisen Bank. In March 28, the 8th edition of the event brought together in Cluj-Napoca over 600 participants who, under the #LeadersOfChange theme, discovered the stories and experiences of relevant leaders in their fields – women in leading positions in major companies, business women, public persons, journalists, artists.

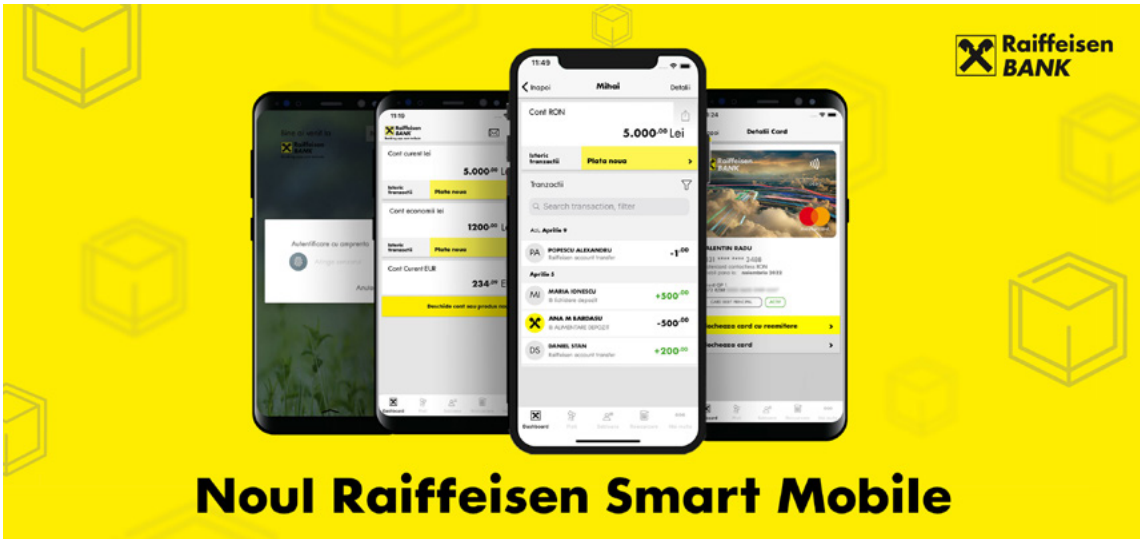
APRIL

Through the Elevator Lab Bootcamp, Raiffeisen acts as mentor for fintech startups
Elevator Lab Bootcamp is an educational program that mentors entrepreneurs and teams that want to turn a fintech idea into a viable business. The program is developed by Raiffeisen Bank Romania in partnership with TechHub Bucharest. Product ideas relevant to retail banking, corporate banking, capital markets and other tech ideas for banks are selected. Elevator Lab Bootcamp takes place in Romania as part of the largest partnership program between fintechs and companies in Central and Eastern Europe – Elevator Lab – organized by Raiffeisen Bank International.

The partnership with Constanța Shipyard contributes to the Romanian port industry development
The naming ceremony of "Histria Atlas", the newest 41,000 dwt oil and chemical tanker, celebrates the 13 year partnership between Raiffeisen Bank and Șantierul Naval Constanța (SNC) Shipyard, which resulted in 10 vessels constructed here. Raiffeisen Bank also supports through various financing facilities the maintenance activity of the shipyard, while a large part of the employees are clients of the Bank.

MAY

The new mobile and internet banking applications, the new Smart Mobile and the new Raiffeisen Online, are launched
On May 28, Raiffeisen Bank launched the new Smart Mobile – the mobile banking internet – and the new internet banking application – the new Raiffeisen Online. Through the facilities offered (displaying in one screen all the client's accounts information, simplified payment flow, better cards control, 100% online login and payment authorization, via SmartToken), they are the main pillars for the digital ecosystem the Bank creates so that in the coming years the interaction between the customers and the Bank to be as simple, safe and fast as possible.



JUNE

Raiffeisen Bank's new communication campaign for digital products is #tomorrowproof
"To think today for tomorrow. This is responsibility" is the key message for the image campaign that Raiffeisen developed together with the communication agency Publicis. Inspired by the unboxing trend, which synthesizes the excitement of discovering a technology that brings joy to the users, the campaign communicates in an innovative way its mission of offering banking solutions already adapted for the requirements of a digital future, where things are fast, safe and intuitive.

Raiffeisen Bank's virtual assistant, Ana, in a new presentation
Ana is a digital solution that offers Raiffeisen Bank customers non-stop access to information and support, being the answering voice in the Raiffeisen Bank Call Center as soon as the customer makes the call, with no waiting times. Since its launch in 2016, Ana has answered to over 2.5 million calls annually. Ana is developed using the NLU (Natural Language Understanding) technology and is one of the most innovative self-service digital services. Any customer who has an active Raiffeisen Bank card can find out information with the help of the virtual consultant.

Raiffeisen Bank finances 83 Romanian startups with over 3 million euros in total, through the "factory by Raiffeisen Bank" program

The winners of the second edition of the "factory by Raiffeisen Bank" program, started in January, were announced on June 19. Out of the 315 projects submitted, 83 were selected, covering several business areas: services, production, IT&C and education. The number of projects and the total value of the funding tripled from the first edition. Over 3 million euros were granted as loans for the startups, a first for Raiffeisen Bank.

Through the Money Bistro financial education program, June was declared "The Month of Financial Health" by Raiffeisen Bank

Raiffeisen Bank released on June 3 the Financial Health Index (FHI), a tool that customers find on the moneybistro.ro platform and which helps them determine if they are "frugal" or "greedy" in their relationship with money. At Money Bistro, customers find recommendations for planning the monthly budget easier and keeping their expenses under control.

Raiffeisen Bank is declared the best bank by EMEA Finance

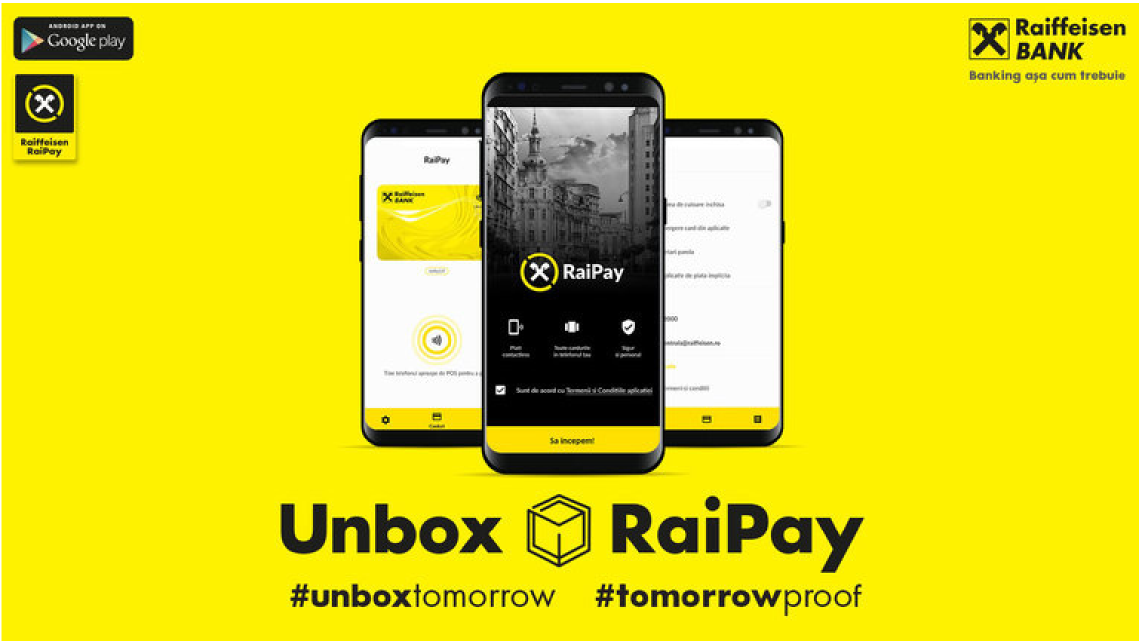
Raiffeisen Bank was acknowledged as the "Best Bank" and "Best Investment Bank" in Romania in 2018 by EMEA Finance magazine, a magazine dedicated to business in the region of EMEA – Europe, Middle East and Africa. The very good evolution of the Bank's results from the previous year is due to the growth of the market share for loans and a sustained and balanced rate of organic growth on the main segments of customers and products.

JULY

The Bank launches the 9th edition of the Raiffeisen Communities Program, through which it grants non-reimbursable funds of 500,000 lei
This competition focused on social responsibility projects is held annually on the platform raiffeisencomunitati.ro and awards grants for the implementation of educational projects carried out in the communities in which the Bank operates. In 2019, the focus was on projects in non-formal education – financial, entrepreneurial, civic or professional – and the grants amounted to 50,000 lei (about 10,000 euros) for each of the 10 winning projects.

AUGUST

Using RaiPay, Raiffeisen Bank customers can pay contactless at merchants
The payment app, launched on August 7, can be used by customers who have a smartphone with Android 5.0 operating system or newer. RaiPay users can add Raiffeisen Bank debit or credit cards through NFC (Near Field Communication) technology, enabling POS contactless payments (including 0 interest installments). Customers can thus have all the Raiffeisen cards available at hand, online, without having to use the physical ones.



Smart Hour, currency exchange at the NBR exchange rate for Raiffeisen Bank customers
Using the new mobile and internet banking applications, Raiffeisen Bank customers can make lei-euro or euro-lei currency exchange at the NBR exchange rate valid at the date of exchange, between 10 and 11 a.m., on all working days. During the Smart Hour, up to 1,500 euros/day can be exchanged between our customers' Raiffeisen Bank accounts, a facility well-received by those who exchange currency for paying installments, online shopping or travel abroad.

Raiffeisen Bank Bucharest Challenge, the coolest 3x3 basketball event of the year in Romania
24 teams from 18 countries and coming from three continents attended the eighth edition of the Raiffeisen Bank Bucharest Challenge, held on August 10-11, which was dominated by the North-American participants. The event was organized by Sport Arena Streetball with the support of ParkLake Shopping Center and sponsored by Raiffeisen Bank.

SEPTEMBER

In the Open Banking portal, authorized companies can integrate with the Bank's systems, through a secure environment
Authorized companies can prepare their future applications by exploring Raiffeisen Bank's Application Programming Interfaces (APIs) in the Open Banking portal. Through the online platform, according to an EU Directive, authorized companies can request information about the payment accounts or the transaction history. The Open Banking portal also has a testing area, launched in March 2019, where a dedicated team of Raiffeisen Bank specialists offers support to all developers.

OCTOBER

Raiffeisen Bank customers can also pay by Apple Pay, the payment method which allows iPhone owners to shop at merchants anywhere in the world
Starting October 15, Raiffeisen Bank cards can be added to the Apple Pay application, which allows Bank customers who own an iPhone or Apple Watch to pay contactless at POS, at home or abroad. Purchases via Apple Pay are authorized by Face ID or Touch ID (fingerprint recognition) or device password.

Raiffeisen Bank becomes the main shareholder of Raiffeisen Banca pentru Locuințe, which changes its name to Aedificium
As of October 23, Raiffeisen Bank has become the main shareholder, with 99.9993%, in Raiffeisen Banca pentru Locuințe (Raiffeisen Housing Bank). The company previously had three shareholders: Raiffeisen Bank Romania, Bausparkasse Schwabisch Hall Germany, each holding 33,325% of the shares, and Raiffeisen Bausparkasse Austria, which owned 33.35%. With the change of the shareholders, the new entity also changed its name and visual identity.

Partnership with Keez to facilitate the access of SME clients to new technological solutions for online accounting services
Raiffeisen Bank supports entrepreneurs also by providing them access to innovative non-banking services and products. Keez is a Romanian accounting tech startup that offers complete online accounting services through a digital platform and an app. The solution offers companies accounting operations, financial management reports, online billing and employee administration services. It also allows clients to upload supporting documents (receipts, invoices) by scanning them with a mobile phone.

NOVEMBER

Raiffeisen Bank, BCR and BRD become shareholders with equal shares in CIT ONE
CIT ONE is one of the most important companies for integrated cash management services (transport, processing and storage of cash and other valuables) on the Romanian market. The transaction aims to optimize, develop and make the transport and processing of cash more efficient and is part of the global trend that banking players adopted, of joining forces and collaboration in this field.

DECEMBER

For the first time on the Romanian market, Raiffeisen Bank places two bond issues
On December 17, Raiffeisen Bank registered two currency subordinated bond issuances. The first is a subordinated bond issued in a private placement worth 480 million lei and has as sole investors two international financial institutions (IFC and EBRD). The second is a perpetual Additional Tier 1 bond worth 50 million euros, with a single investor, the main shareholder Raiffeisen Bank International AG. The two bond issues are intended to strengthen and diversify the capital position of Raiffeisen Bank, and will support responsible financing of the Romanian economy.

For its most active customers, Raiffeisen Bank launches Garmin Pay
Raiffeisen Bank encourages sport practicing as part of a healthy lifestyle and supports major events such as the Raiffeisen Bank Bucharest Marathon and the Via Maria Theresia Marathon. Thus, it is only natural to adapt its offer to the needs of the Bank's most active clients. Garmin Pay is a contactless payment method for Garmin watches, which measure sports performance. Thus, our customers have the opportunity to make payments even during their workouts, by using the gear that is already part of their equipment.

EVENTS
Supported by Raiffeisen Bank in 2019

Sibiu Jazz Festival, Sibiu – May
Neversea, Constanța – July
Sibiu International Theater Festival, Sibiu – June
Jazz TM Festival, Timișoara – July
Undercloud Theater Festival, Bucharest – August
Movie Nights, Cluj – September
George Enescu Festival, Bucharest – September
Art Encounters Contemporary Art Biennial, Timișoara – September
Art in the Street, Oradea – October
Christmas Fairs in Cluj, Oradea, Sibiu – December

Corporate Social Responsibility

IN FOCUS IN 2019

INVESTMENTS IN EDUCATION

Raiffeisen Bank continued to consolidate its portfolio of community projects in 2019, while paying special attention to education, which gained a greater share than in the previous years. Thus, **one third of the Raiffeisen Bank Community investment budget** (34%) was allocated to educational projects.

Corporate Social Responsibility

Raiffeisen Bank has always regarded business responsibilty as a day-to-day duty for society, for its stakeholders and, more important, for ourselves. We all strive to live and work in a healthy, prosperous and balanced environment and we know it is up to us to achieve that. Therefore, we work towards a society "as it should be" through all our actions. We generate economic growth and prosperity through the products and services we offer, we finance sustainable projects and help entrepreneurs turn their ideas into reality. We are a responsible and fair employer and work with suppliers that meet the same standards as we do. We monitor the environmental impact of our business and implement measures and programs aimed at reducing it. We are fully aware that our efforts today will build tomorrow's society.

Raiffeisen Bank's investments in the community are an important part of this effort. The community programs that we develop and support are meant to increase the positive impact we have on the Romanian society. We choose to carry out projects that can generate meaningful changes in the beneficiaries' lives – financial education courses in schools, programs for children from disadvantaged backgrounds to gain access to education or sport competitions that encourage tens of thousands of people to have a healthy lifestyle.

In 2019 we kept on investing in financial and entrepreneurial education programs, supporting Romanian art and culture, promoting sports as a healthy lifestyle and making sure we live in healthier cities. We develop strategic community partnerships with non-governmental organizations and educational institutions, for more prosperous communities and a better life. We encourage our employees to be part of the change and to get involved in social causes, through volunteering actions and internal fundraising campaigns, and we offer our clients systems enabling them to support initiatives designed to change society.

We are one of the first companies in Romania to publish a non-financial activity report. In 2019, we celebrated 10 years of leadership in sustainability with the release of our tenth Raiffeisen Bank Sustainability Report, in which we presented in thorough the Bank's community investment strategy, funded programs and results. The annual sustainability report is made in accordance with the reporting requirements developed by the London Benchmarking Group (LBG), which assesses investments in community programs and their impact on beneficiaries and follows the Global Reporting Initiative (GRI) standards.

Our role in society has been a significant one for more than 20 years of activity on the Romanian market, and it is defined by both the direct economic impact and the promotion of transparent and responsible business practices and support of the communities in which we operate.

We take on the role of active and involved citizen and motivate and encourage our stakeholders – employees, customers, suppliers, partners – to join our efforts to build a society as we all want.

In 2019, the Bank had a total of over 2.3 mio euros investments in community programs that fall into several strategic directions: urban ecology, education (with a focus on financial and entrepreneurial education), Romanian art and culture and sports as a healthy lifestyle.

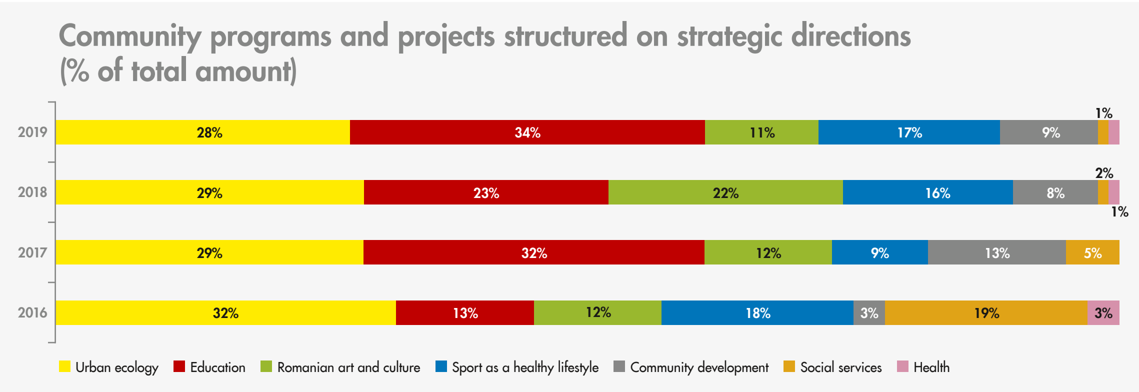
Main results of our comunity involvement in 2019

- 11,221,691 RON (over 2.3 mio euros) was the total amount of the Bank's sponsorship contracts concluded in 2019. Of this amount, over 7.2 mio RON (over 1.5 mio euros) were community investments that fall within the scope of LBG reporting.
- 34% of the budget was allocated to education programs, 28% to investments in urban ecology, while 11% of the budget went to art and culture. Programs promoting sport as a healthy lifestyle and initiatives for community development represent 17% and 9% of the total portfolio of projects, while social and health initiatives have benefited from 1% of the total community investment budget.
- We financed with 50,000 RON each 10 educational projects implemented by 8 NGOs and 2 educational institutions, as winners in the annual Raiffeisen Communities grant competition, which reached its ninth edition in 2019. Among the winning projects are the first music library for the blind in Romania, a caravan with a robotics laboratory reaching schools in Mureș county, and a professional training and labor market integration program for young and adolescent mothers in Bucharest.
- 270 employees volunteered for activities in 2019. They dedicated 1,058 hours of working time to the community programs supported by the company. In addition, we have a policy that encourages volunteering among our employees, which allows them to allocate 8 hours of working time for these activities. We constantly communicate to our employees volunteering opportunities and ways to get involved alongside Raiffeisen Bank or during their free time.
- We continue the strategic partnerships built over the years and invest in cultural and sports programs: George Enescu Festival, SoNoRo Festival, Bucharest International Marathon or Via Maria Theresia Marathon. In 2019 we pursued our partnership with Tășuleasa Social Association and supported the development of another 100 kilometers of the Via Transilvanica trail.

COMMUNITY IMPACT OF THE INVESTMENTS

The total amount of Raiffeisen Bank sponsorship contracts concluded in 2019 exceeded 11.2 mio RON. The community programs included in the LBG reporting area, analyzing the impact the funded projects had on the community, amounted to over 7.2 mio RON.

In the past years, Raiffeisen Bank has consolidated its portfolio of the supported community projects. Education occupies a greater share as compared to the previous years, the educational projects reaching 34% of the Raiffeisen Bank community investment budget in 2019. The Bank continued to invest in urban ecology initiatives in major cities of the country (28%), in programs encouraging sports and a healthy lifestyle (17%) and promoting Romanian art and culture (11%), while social assistance for vulnerable groups had 1% of the budget. In addition, Raiffeisen Bank continues to be an important partner for organizations implementing community development projects (9%).



COMMUNITY PARTNERS

Together with our community partners – non-governmental organizations and educational institutions – we develop projects aiming the needs of the communities in which we operate and which can bring meaningful changes for their beneficiaries.

Our commitment towards civil society goes beyond direct investments in community projects. In addition to the direct effects for the beneficiaries of the projects that Raiffeisen Bank supports, we also want to contribute to the development of the organizational capacity of our partners, as well as the additional resources that they manage to attract as a result of our partnership.

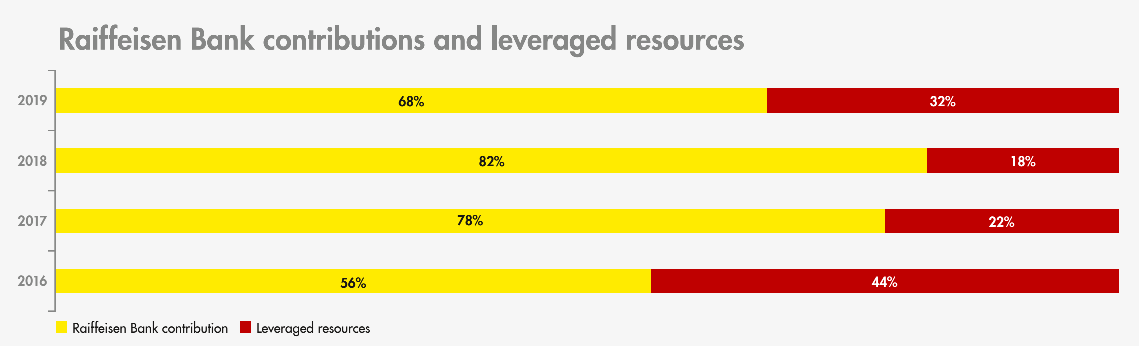
Community investments key figures

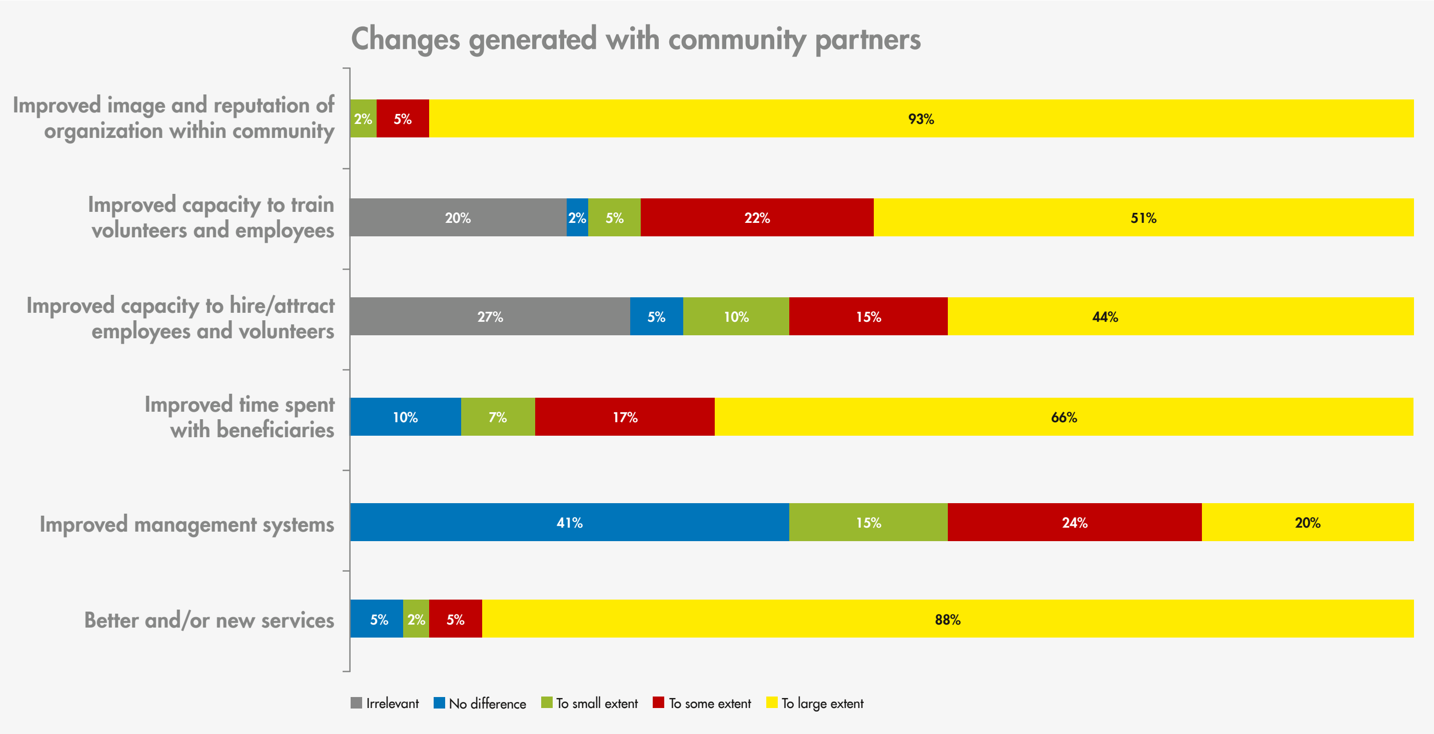
On average, our community partners managed funds in amount of **111,322** RON.

879,100 people benefited from the Raiffeisen Bank community projects.

Raiffeisen Bank S.A. contribution per employee was **1,448** RON.

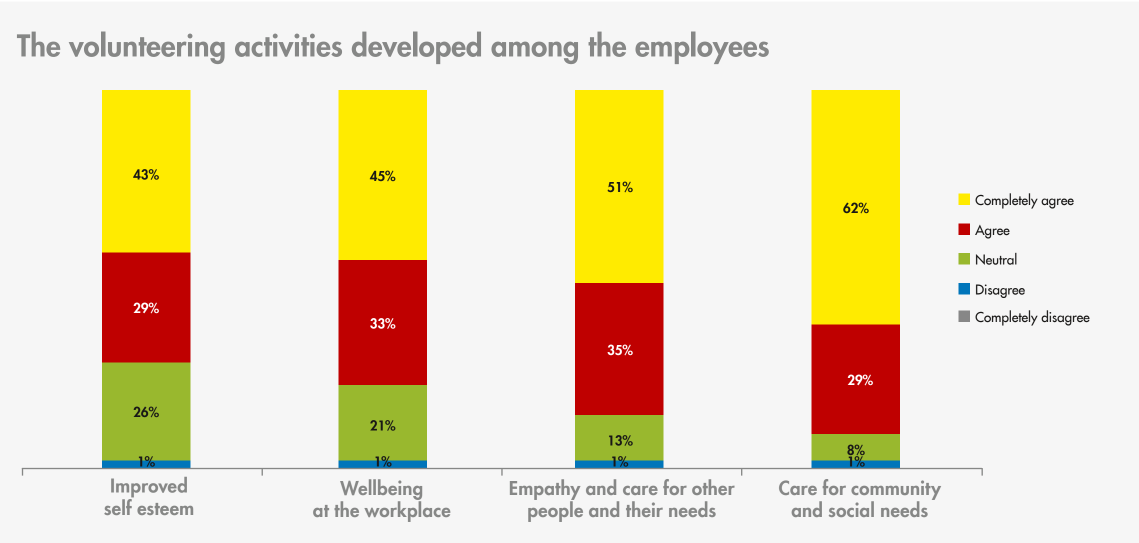
The Bank's contribution to its community portofolio was **0.89%** of the gross profit.





RAIFFEISEN BANK VOLUNTEERS

In 2019, 270 employees of Raiffeisen Bank volunteered in the social programs supported by the Bank and used their knowledge and skills to make their own contribution to the development of the communities in which they live and work. They dedicated 1,058 hours of working time to the community programs supported by the Bank: teaching financial education to high school and gymnasium students within the project carried out with Junior Achievement Romania, involving in the OvidiuRO educational programs or helping to build an educational centre for the vulnerable community in Buftea. Raiffeisen Bank's volunteer policy allows employees to use 8 hours a year of working time for volunteering.



BUILDING TOGETHER TOMORROW'S SOCIETY

We know that we cannot have a real change unless we all get involved. That is why we encourage our employees to volunteer or to donate for the social causes we support, and we offer our clients the opportunity to make their own contribution. Thus, we created the Debit Direct recurring donation system, through which our clients can quickly and easily become recurring donors for the social projects they want to get involved in. In 2019, 7,526 Raiffeisen Bank customers donated over 340,500 EUR through Direct Debit. Starting with 2017 we offer the option also to clients of other financial institutions that cannot provide a similar service. As a result, in 2019, 922 customers of other banks donated over 44,000 EUR through our Direct Debit donation system.

Management Report

IN FOCUS IN 2019

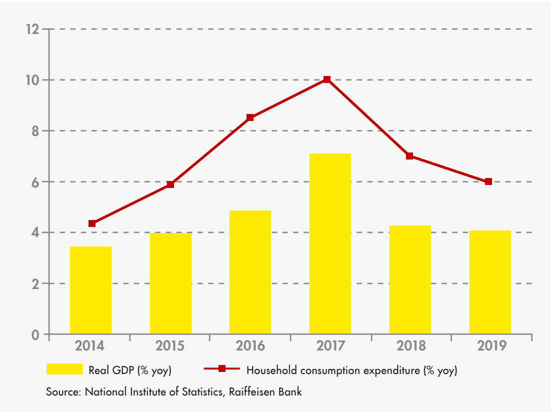
LONG-TERM PARTNERSHIPS FOR THE ROMANIAN ECONOMY

The **13 year old** partnership between Raiffeisen Bank and **Constanța Shipyard (SNC)** resulted in the construction of 10 vessels – 8 oil and chemical tankers, a barge and a pontoon for a heavy-duty floating crane. Raiffeisen supports through financing facilities the repair activity of the shipyard as well. Such long-term partnerships demonstrate the Bank's determination to invest in the development of the local economy.

Economic activity continued on an upward trend in 2019, the real Gross Domestic Product (GDP) increasing by 4.1% compared to 2018. Thus, economy registered a good performance in 2019 as well.

Similar to the previous years, increase in household consumption remained solid (6.0%), acting as the key driver of economic growth. Household consumption growth was due to the rapid advance of disposable income (for instance, net wage earnings in the economy increased by 10.7% in real terms in 2019) and by the elevated consumer confidence regarding the prospects of the economy. A positive surprise was provided in 2019 by the unexpectedly significant increase in fixed capital investments (18.2%). However, it should be mentioned that such dynamics was to a large extent the result of a surge in investments of construction works (residential, non-residential, and civil engineering). Adverse developments on the foreign markets, triggered mainly by the trade dispute between the US and China, namely the slowing of the increase in the volume of international trade in goods and the deceleration of the global economic growth, had a negative impact on the Romanian economy too. Thus, the growth of exports of goods stalled and the performance of industry deteriorated visibly. However, the sector of services had a good performance in 2019, driven by the rapid increase of domestic demand. Both the deficit of foreign trade with goods and services and the current account deficit continued to increase in 2019 as exports' growth (limited by the adverse external developments) came in below the advance of the imports (benefitting from increasing domestic demand).

DYNAMICS OF ECONOMIC ACTIVITY

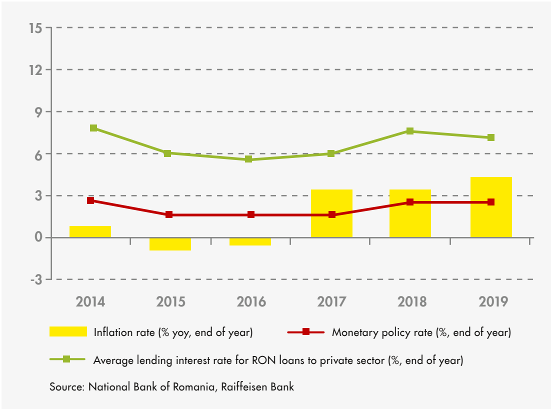


Consolidated public budget deficit recorded a significant increase in 2019, to a level of 4.6% of GDP, from a level of 2.8% of GDP recorded in 2018. Public budget deficit registered in 2019 outpaced by a large amount the target that had been set at the beginning of the year (2.8% of GDP), exceeding even the target of 4.4% of GDP established at the second budgetary rectification in November by the new Cabinet. The large public budget deficit from 2019 was the result of the substantial increases of wages in the public sector and of pensions that materialized over the past years.

Consumer prices increased by 4.0% in 2019, the gain outpacing the dynamics recorded in the previous year (3.3%), and also the upper limit of 3.5% of the variation band associated to the central inflation target of 2.5%. The acceleration of the inflation rate in 2019 was the result of both the materialization of several adverse supply side shocks (increase of excises, increase of food prices, exchange rate depreciation) and of the intensification of underlying inflationary pressures fuelled by the excess of domestic demand.

Facing a rapid dynamics of the inflation rate, at the beginning of 2019 the National Bank of Romania (NBR) started to fully sterilize the liquidity surplus prevailing in the money market. However, the NBR kept the monetary policy rate unchanged throughout 2019. Following a slight increase in the first half of the year, the interest rates on outstanding loans granted by banks to the companies and to individuals decreased in the second half of the year towards lower levels than those recorded at the end of 2018. On the other hand, interest rates on outstanding deposits of households were on an upward trend throughout 2019.

DYNAMICS OF INFLATION AND INTEREST RATES



KEY ECONOMIC FIGURES

	2015	2016	2017	2018	2019
Nominal GDP (EUR bn)	160.3	170.4	187.8	204.7	223.3
Real GDP (% yoy)	3.9	4.8	7.1	4.4	4.1
Private consumption (% yoy)	5.9	8.3	10.1	7.2	6.0
Gross fixed investments, private and public (% yoy)	7.5	-0.2	3.6	-1.2	18.2
Industrial output (% yoy)	2.8	3.1	7.8	3.5	-2.3
ILO unemployment rate (avg., %)	6.8	5.9	4.9	4.2	3.9
Average monthly net wage, EUR	418	456	512	568	640
Producer prices (avg., % yoy)	-2.2	-1.8	3.5	5.0	4.0
Consumer prices (avg., % yoy)	-0.6	-1.5	1.3	4.6	3.8
Consumer prices (eop., % yoy)	-0.9	-0.5	3.3	3.3	4.0
Public budget balance (% of GDP, cash terms)	-1.4	-2.4	-2.8	-2.8	-4.6
Public debt (% of GDP, ESA 2010 definition)	37.8	37.3	35.1	34.7	35.9
Current account balance (% of GDP)	-0.6	-1.4	-2.8	-4.4	-4.7
Gross external debt (% of GDP)	59.1	55.3	51.9	48.8	47.5
Foreign direct investment (% of GDP)	2.2	2.7	2.6	2.6	2.4
Official FX-Reserves (EUR bn, eop.)	32.2	34.2	33.5	33.1	32.9
Monetary policy rate (eop., %)	1.75	1.75	1.75	2.50	2.50
ROBOR 1 month, avg., %	1.0	0.6	1.0	2.6	3.0
RON/EUR, avg.	4.45	4.49	4.57	4.65	4.75
RON/EUR, eop.	4.52	4.54	4.66	4.66	4.78

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

Lending activity continued to improve in 2019, but the pace of growth of outstanding loans granted by banks to the private sector (households and companies) slowed down as compared with 2018. Thus, outstanding banking loans increased only by 5.5% in 2019, while in 2018 they increased by 7.9% (dynamics are computed by assuming a constant EUR/RON rate for assessing the change in value of FCY loans).

All three lending segments (housing loans, loans for consumer purposes, loans granted to the companies) increased in terms of outstanding amounts in 2019, but at a slower pace than in 2018. The fastest advance was again recorded in case of housing loans (+9.7%). Gains were smaller in case of loans for consumer and other purposes (+3.6%) and in case of loans granted to non-financial companies (+4.7%). Similar to the previous years, the increase in stock of banking loans was exclusively driven by the segment of the RON denominated loans (+9.3%), while outstanding FCY denominated loans decreased (-1.6% in EUR equivalent). However, loans granted to the non-financial companies and denominated in foreign currencies continued to increase in 2019 (+5.4% in EUR equivalent).

Aggregated balance sheet of the banking system continued to record structural improvements in 2019. The share of non-performing loans in the total loans remained on a downward trend, reaching 4.1% in December 2019, down from 5.0% in December 2018. The share of FCY loans in the total loans granted by banks to the private sector decreased further, to 32.8%, in December 2019, down from 34.6% in December 2018. The dependence of domestic banks on foreign funding reduced further as the share of foreign liabilities in the total gross assets decreased to 7.1% in December 2019, from 8.6% in December 2018. Loans granted by the banks to the private sector accounted only for 70.1% of the outstanding deposits of the private sector, indicating a healthy funding structure of the banks' balance sheets.

The following table shows the main developments in the aggregated balance sheet of credit institutions (banks, saving banks for housing, credit co-operative organizations) and money market funds from Romania in 2019.

AGGREGATE MONETARY BALANCE SHEET OF CREDIT INSTITUTIONS AND MONEY MARKET FUNDS

	2019 (RON BN)	2019/2018 (ANNUAL CHANGE, IN REAL TERMS %)	2019 (% OF TOTAL ASSETS)	2018 (% OF TOTAL ASSETS)
Loans and placements with banks and NBR	48.9	6.3	9.2	9.1
Loans to domestic residents, at gross value:	277.2	2.4	52.0	53.5
- households	143.1	3.4	26.8	27.4
- companies	124.5	1.4	23.3	24.3
- public sector	9.7	2.4	1.8	1.9
Debt securities issued by residents (mainly government securities)	106.8	6.3	20.0	19.9
Other assets, of which:	100.7	13.4	18.9	17.6
- external assets	43.8	16.3	8.2	7.4
- fixed assets	15.8	22.5	3.0	2.6
Total gross assets	533.6	5.5	100.0	100.0
Deposits from domestic banks and other MFIs	6.6	4.0	1.2	1.2
Deposits from domestic residents:	380.8	6.8	71.4	70.5
- households	222.4	7.6	41.7	40.9
- companies	145.3	6.6	27.2	26.9
- public sector	13.1	-4.1	2.5	2.7
Debt securities issued	2.9	55.1	0.5	0.4
External liabilities, excluding debt securities	36.4	-15.6	6.8	8.5
Capital and reserves, including provisions	76.8	5.2	14.4	14.4
Other liabilities	30.2	21.0	5.7	4.9
Total equity and liabilities	533.6	5.5	100.0	100.0

NOTE:
Loans and assets are at gross value (which includes provisions), the figures being different from net values (gross values excluding provisions) that are reported in financial statements made public by credit institutions. In terms of liabilities, capital includes also provisions. For comparison, net assets of credit institutions amounted only to RON 495.3 bn at the end of 2019. Components may not sum up to totals due to rounding to one decimal.

SOURCE:
Own computations based on data published by the National Bank of Romania and the European Central Bank. Annual growth rates in real terms were computed by adjusting the annual nominal growth rates by the inflation rate in 2019 (4.04% yoy).

Summary of Raiffeisen Group's Results in Romania

We are very pleased with our 2019 performance, especially on customer business development. The Group's foundations improved (sound L/D ratio of 0.76, solid capital adequacy at 19%) and NPLs at 4.1%. We strengthened and optimized our capital structure, while achieving once more an excellent RoE above 20%, at the high of the economic cycle.

In 2019
we encouraged the real economy by financing loans worth RON 9.6 billion, exceeding last year's performance by 13%.

2019 KEY DATA

- Newly approved loan limits increased by 8% vs. 2018, with half of the growth coming from lending facilities granted to local entrepreneurs and large companies. We are proud to stand side by side with our clients on their road to success and provide them with suitable and convenient financial solutions, in line with our core principles of "proper banking" and supporting the local economy.
- We grew our business volumes at double the pace of the market: loans stock grew by almost 11% vs. 2018[1] and customer deposits by 9%. This was a strong driver for the 3% increase in revenues vs. prior year, on the background of relatively high market rates on local currency, but mounting pressures on the fee business, in a competitive and increasingly digitalized environment.
- The digital agenda was at the forefront of our efforts in 2019: the customers actively using our digital channels got close to 750,000[2] (24% increase yoy), we transferred cash operations with increased celerity to multifunction machines, reaching a total of 47 cashless agencies. We are happy to also see good client response to these changes, as indicated by the 15% rise in Net Promoter Score[3].
- In December 2019, in a "first" for the Romanian market, Raiffeisen Bank Romania issued EUR 50 million Additional Tier 1 capital instrument (AT1, perpetual bond format). This is an important milestone also for the local banking system and outlines once again our efforts to build a solid capital position, optimized in structure and cost-effective, setting the grounds for the execution of our growth strategy.

ACCOMPLISHMENTS

- In 2019 we supported the real economy by financing RON 9.6 billion loans granted to our customers, exceeding by 13% the prior year performance, and we are proud to have been able to provide our customers with financial solutions to meet their requirements.
- As our strategy aims to focus all our activities on customer needs, we seek to increase their level of satisfaction, and we are delighted to see positive feedback, as indicated by the 15% rise in NPS[3] during 2019 compared to prior year.
- This year was marked by several launches of digital solutions and benefits added to our offer, to simplify and improve the experience for our clients. The new approach of doing "digital banking" is embraced by our customers, seeing 24% yoy increase in number of digital clients.
- We managed to improve our risk profile, with a 0.4%[4] risk charge in 2019 (-10 bp yoy), while implementing the latest regulatory requirements in this regard and a 4.1%[5] non-performing loans ratio, similar to prior year.
- We financed and partenered with new fintech and startup companies throughout *Elevator Lab and factory by Raiffeisen Bank* initiatives, and also supported the agri-business with our continuous involvment in the APIA program.
- We acknowledge of the critical importance of staff in reaching our strategic objectives and the degree of employee satisfaction. We strive to make further improvements and we are also glad that in 2019 we had a higher level of employee effectiveness & satisfaction.

[1] Calculated after carving out reverse repo transactions with non-banking clientele
[2] With login in the mobile or online application during the last month
[3] Net promoter score for private individuals, which measures customers' willingness to recommend the Bank
[4] Provisions for impairment losses divided by total average assets
[5] Non-performing loans divided by total loans granted to customers

Summary of Raiffeisen Group's Results in Romania

SELECTED FINANCIALS

Net profit of the Raiffeisen Group Romania was a solid RON 835 million in 2019, second-best in our history so far. The reported year-over-year variation in profit shows a negative 7%, but this decrease came on the background of several non-recurring events, as outlined below (e.g., banking tax, provisions related to litigations for presumably abusive clauses, methodological changes in credit risk provisioning).

OPERATING INCOME AND PROFIT	NOTE	2019 RON '000	2018 RON '000	informative conversion 2019 EUR '000	informative conversion 2018 EUR '000
				Unaudited	Unaudited
Net interest income	7	1,759,303	1,533,262	370,751	329,486
Net fee and commission income	8	583,742	639,131	123,016	137,344
Net trading and investment income	9	332,812	358,043	70,136	76,941
Non-interest income		986,895	1,063,139	207,976	228,460
Operating income		2,746,198	2,596,401	578,727	557,947
Operating expenses	11,12	1,556,504	1,353,979	328,014	290,960
Pre-provisioning profit		**1,189,694**	**1,242,422**	**250,713**	**266,987**
Net charge of provision for impairment losses	13	176,429	176,124	37,913	37,848
Share of gains of associates and goodwill		9,113	1,027	1,958	221
Profit before income tax		1,022,378	1,067,325	219,701	229,360
Net profit for the year		**834,710**	**893,789**	**179,372**	**192,068**

835 mil. RON

was the net profit for 2019, the second best result in the company's history.

The earning power is in excellent shape, underpinned by diversity in revenue streams, very good speed and structure for the loan growth in an expanding economy, with positive consumer sentiment and double-digit wage increases in the country. Since late 2017, we also felt the impact in our revenues from the higher market rates for LCY, not enough however to bring a depreciation of the risk profile; since then we also started to adapt the interest rates offered to the clients for their savings in RON term deposits.

Net interest income grew substantially in 2019, by 15% against prior year. This evolution was mainly triggered by the loan book dynamic, which covered for the impact of contracting margins, being also supported by strong inflows in individuals' current accounts. Upward moving market rates for the local currency positively impacted our net interest income, and this evolution also prompted us to increase the interest rates offered for customer deposits, in line with our efforts to strengthen the term deposits base.

Net commission income had a downward trend year-over-year in 2019, by 9%. This decrease came mainly as an effect of increasingly convenient and low-priced payment solutions provided to our clients through digital channels and higher penetration for "zero fees" current account packages provided to individuals. We see this trend as an integral part of our efforts to tighten the relationship with our clients and make concrete steps towards a transactional activity that is cost-effective for the Bank and clients.

Trading income was slightly lower year-over-year, in a challenging environment dominated by low volatility and new entrants in the market pushing for lower spreads and fighting to attract volumes. Our goal here remains to offer our clients quick, easy-to-use and price-advantageous services, and promote the digital channels as a preferred way of transacting foreign currency.

2019 was the first year in which "tax on assets" was applied to Romanian banks, as per OUG 114/2018,

Summary of Raiffeisen Group's Results in Romania

which brought an additional cost of around RON 50 million in our operating expenses. Another noteworthy development with a regulatory background was the RON 30 million higher expenses year-over-year related to deposit insurance and single resolution framework. Further non-recurring events had approx. RON 85 million negative impact in 2019 (higher operating costs mainly due to prudent provisioning for possible future losses arising from litigations concerning allegedly abusive clauses in PI loan contracts). The underlying cost base (the three elements above carved out) shows RON 40 million increase year-over-year in 2019 (+3% vs. 2018), with main areas of growth identified in IT depreciation and gross salaries; these developments are fully aligned with our goals of delivering fast, easy-to-use and increasingly digitalized services to our clients, while keeping the pace with the market trends in terms of salaries and retaining the talented staff. In the same vein, worth noting that over the past year we optimized the branch network from 419 to 351 units (-16%), while keeping a constant focus on big items such as rent or cash-related costs.

The Group's risk costs were affected in 2019 by methodological changes in the calculation of provisions, while the underlying risk profile continued to improve year-over-year.

2019 BALANCE SHEET

Raiffeisen Bank Romania's success resides in the balanced and sustainable business growth. We stayed true to our "proper banking" principles, maintaining a robust development of our balance sheet while providing much-needed funding for the real economy. For several years now, we have operated in an economy where the main engine for economic growth is the consumption, which makes it even more important to strengthen the foundations for future sustainable growth. We acknowledge this fact and we paid special attention to the lending activity for companies, both local entrepreneurs and corporate clients, while at the same time remaining a trustworthy partner for our individual customers in meeting their financial needs.

				informative conversion	
BALANCE SHEET	**NOTE**	**2019 RON '000**	**2018 RON '000**	**2019 EUR '000**	**2018 EUR '000**
				Unaudited	**Unaudited**
Cash and cash equivalents	16	6,506,880	7,197,230	1,361,471	1,543,178
Loans and advances to banks	17	207,307	437,854	43,376	93,882
Loans and advances to customers	26	27,957,159	26,144,360	5,849,635	5,605,686
Investment securities	20	7,350,937	5,537,674	1,538,078	1,187,348
Tangible and intangible fixed assets	22,24	1,339,128	384,389	280,193	82,418
Total assets		**43,856,228**	**40,794,537**	**9,176,287**	**8,746,872**
Deposits from banks	32,34	308,670	1,345,968	64,585	288,593
Deposits from customers	33	36,109,055	33,051,203	7,555,302	7,086,602
Debt securities issued	34	480,617	512,458	100,562	109,878
Subordinated liabilities	34	408,645	855,678	85,503	183,468
Equity	37,38	4,830,705	4,184,223	1,010,755	897,151
Total liabilities and equity		**43,856,228**	**40,794,537**	**9,176,287**	**8,746,872**

Summary of Raiffeisen Group's Results in Romania

750,000

active customers use our digital channels, 24% more than the previous year.

In 2019, the loan production had a good evolution for Raiffeisen Bank, with +8% increase in new approved limits, while new drawdowns exceeded RON 9.6 billion (+13% yearly advance). We are proud with our active role in supporting the local economy growth through our wide offer of products tailored to clients' needs. Worth mentioning the acceleration on originations of housing loans granted to individuals with 30% year-over-year and for term loans granted to corporate clients with 20% year-over-year.

Looking at the net loans stock evolution vs. 2018, the reported growth of 6% was negatively influenced by the drop in volatile balances of reverse-repo transactions with non-bank financial institutions with some RON 1.1 bn. If we carve out this variation, the underlying growth in loans granted to customers is around 11%. We are particularly satisfied with this increase being achieved in a balanced manner, on all business segments and for the most relevant products in our portfolio. Notable positive outcomes for the investment loans for corporate customers (+22%) and for SME (+13%), while on Private Individuals' segment the development was also noteworthy, with 10% higher net loans year-over-year. We strive to provide suitable, increasingly convenient and fast financial solutions and move towards a fully digitalized lending process. The housing loans performed especially well last year (+13% in stock), while demand in the market for personal loans was still significant, fueled by the double-digit wage increases in the local economy; our personal loans stock moved forward in 2019 by 7% as compared with 2018.

Regulatory changes in reporting standards became effective starting with January 2019. IFRS 16 implementation brought an increase in fixed assets vs. 2018, more specific "Property, Plant, Equipment and right-of-use assets", and on liabilities in "Other liabilities", as the rent expenses were set up as present value of future contractual obligations in the form of right-of-use assets. On the P&L side, the effect remains mainly in operating expenses, with a switch from rental to depreciation and interest expense.

Customers' preference for the local currency is visible in the currency structure of the loan portfolio, RON registering a share of approx. 70% in 2019, influenced mainly by the volumes on the individuals segment.

Customer liabilities showed strong growth in 2019, by 9% year-over-year, further confirming the close home-banking relations with our clients and our commitment to build solid foundations for the development of our balance sheet.

During 2019, most significant growth vs. 2018 was on individual clients' current accounts, by 26%. This development was achieved on the background of a 10% average real wage increase in the local economy in 2019, the highly convenient and appreciated current account packages with "zero" fees in our offer, and also the trust we gained in time from our clients.

Small and medium entities also had a notable positive development of 11% against prior year, mostly coming from current account balances that grew year-over-year by 15%. On Corporate clients we dropped by 10% in liabilities, mainly from negotiated deposits, as a result of adequate liquidity in the Bank.

The YoY decrease in subordinated liabilities is only a consequence of the bond format of the RON 480 mn Tier 2 capital in RON issued in December 2019 (included in "Debt securities issued" in the table above); at the same time, RON 480 mn subordinated loan was closed. In May 2019, RON 500 mn bond issue reached maturity.

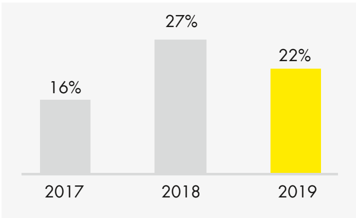
With regards to the liabilities denomination, the structure between RON and foreign currencies has moved towards the latter and closed the year around 60/40. The Group's foundations are in excellent shape, with access to stable and diverse funding sources. We continue to be highly liquid and primarily deposit funded, with a Loans/Deposits ratio of 0.76 (0.78 in 2018). The solid capital position has been further improved in 2019, when, for the first time on the Romanian market, Raiffeisen Bank issued RON 240 mn AT1 capital, in perpetual bond format.

Summary of Raiffeisen Group's Results in Romania

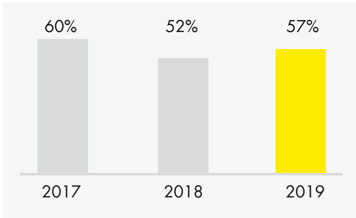
PERFORMANCE FOCUS

We managed to keep our Group return on equity above 20%, in spite of incresing operational expenses with around 15%. The strong revenue growth allowed for significant investments in our staff and digitization processes, and at the same time we improved our risk profile.

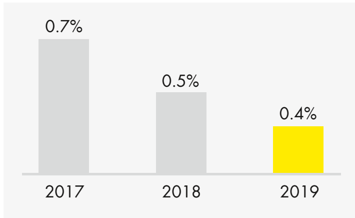
ROE[1]



CIR[2]

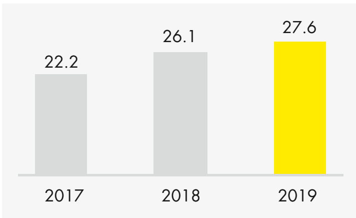


Risk charge[3]

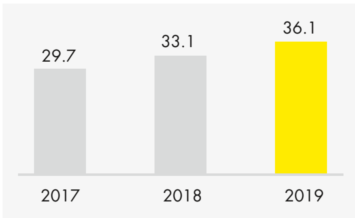


Increase in our client base of 2% to nearly 2.2 mn came as a result of providing high quality customer service that relies on our strategy of sustainable growth. Our loans and deposits volumes had positive developments throughout the entire year and our liquidity position improved.

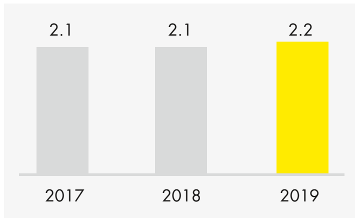
Loans, net (RON bn)[4]



Deposits (RON bn)

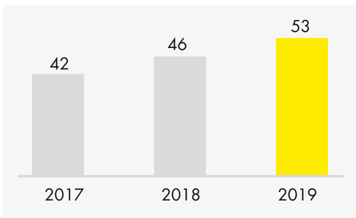


Clients (mn)

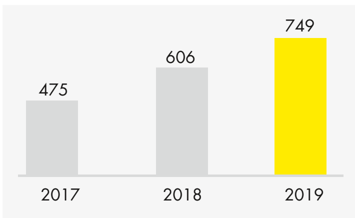


We are pleased to see that our investments in digitalization pay off and are reflected in the increased level of customer satisfaction. YoY growth of 25% in the number of digital clients and the 97% payment via electronic channels, corroborated with the 15% improvement in NPS[5]) indicate that our efforts are appreciated.

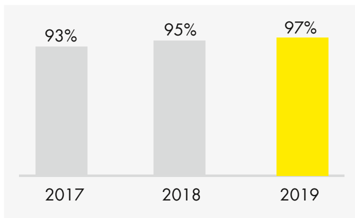
NPS PI[5]



Alternative channels users (ths)[6]



Electronic payments (% of total)



1) Net profit divided by the average value for Equity in the period, without the profit of the current year
2) Reported operating expenses divided by total operating income
3) Provisions for impairment losses divided by total average assets
4) Loans, net of provisions
5) Net promoter score for PI, yearly average; it indicates the degree of satisfaction of the clients with the Bank's services
6) Clients with login in the Raiffeisen mobile or online application during the last month

At the end of 2019, Raiffeisen Bank registered 4,845 active full-time employees, compared to 4,966 in 2018. The average age of Bank's employees remains 37, same as for the previous years.

In 2019
the Bank has come up with several new programs for employees, proving that it pays close attention to their changing needs. From leadership courses through the Leadershift program to remote work options through the WorkFromHome program and from implementing HR solutions such as Chatbot to promoting the use of applications and new technologies with the help of the digital guides, Raiffeisen Bank demonstrates that it is a company connected to the latest evolutions within society.

TRAINING

One of the Bank's constant preoccupations and also one of the human resources strategic directions was, and continues to be, employee training and development. Through the development programs provided to its employees, the Bank aims to directly contribute to their individual performance, to their teams' performance, and consequently, to the performance of the entire organization.

Throughout 2019 we continued to initiate training programs shaped around our corporate strategy and aligned to our organizational culture. Their purpose was to strengthen both the functional and the leadership capabilities of the employees, and also to increase their engagement. The programs we delivered addressed all our employees, from both the business segments and the support areas, in order to develop the professional competencies of the entire team.

We provided the employees a wide range of learning and development channels and tools, from technical trainings and programs for transversal skills development to certifications, conferences or workshops. In designing and delivering the training programs we aimed to contribute to the learning and education of our employees by providing them high-quality content and up-to-date approaches. These programs were implemented by our internal learning specialists, but also by outsourced providers.

We equally continued to improve training practices and support technologies: experiential learning, interactive platforms, concepts of blended learning and gamification.

Within the network branches, the learning program for new hires continued, adapted to the specific activity of the units. The program includes induction, product, operations, credit, client relationship trainings, and combines alternative learning methods, suited to the current business context and in line with the new trends and technologies. In 2019, we revised and expanded the curriculum addressed to our colleagues from the network branches, tailoring it to each specific role in the branch.

For the employees in the headquarter, we continued the professional and leadership skills development programs. In 2019, the First Time Manager program, previously addressed to those who took on a team management position, was redesigned into a leadership program named *Leadershift*. The new program is addressed to all managers, both new and existing ones, who had not attended a leadership module in the past. The program aims to support all managers and provide them with the proper tools so that they can further develop the people and the teams they coordinate.

Raiffeisen Banking University program has increased the number of training sessions organized in 2019. Through this unique employee development program we identify and officially acknowledge the Bank's own experts in various banking related fields. We have thus identified colleagues who, based on their expertise, are able to develop and deliver training sessions to other colleagues interested to professionally evolve, and who are able to share practical and applied knowledge. In 2019, 46 internal trainers participated actively in the program, and 1,050 colleagues attended the 160 training sessions.

Raiffeisen Bank has continued and developed the well-being program *RStyle*, which aims to encourage employees to achieve a healthy work-life balance. The program has been running for 6 years and has an average of over 3,000 unique participants each year at the events and workshops organized under its umbrella. In 2019, the program was adapted to the diversity of topics requested by the employees and to their availability (during the day or after the working hours, during the week days or in the weekend), and had two main pillars: RBody (Sports and Nutrition) and EmotionR (Personal development and Parenting).

An innovative initiative in 2019 was to set up and implement a *Chatbot* solution in HR. It consists of a virtual assistant that answers HR related questions addressed by our colleagues in the Bank and is available for HR support 24/7. The implementation was the result of the common effort of HR, IT and Communication teams. The topics covered by Eva (the virtual assistant's name) are constantly expanding, so that rapid support can be provided to our colleagues with as much information as possible in the areas they are interested in.

The recruitment team

completed in 2019 over 1,000 recruitments and selections.

HUMAN RESOURCES – BUSINESS PARTNERSHIP

Performance Management

In the area of the retail network, a relevant performance management system and a fair mechanism for establishing the individual sales targets have been redesigned and defined. The goal structure is built taking into account the strategy and objectives of the company and the Balanced Scorecard pillars.

Employee Opinion Survey

Raiffeisen Bank launched in 2019 a new annual edition of the Employee Opinion Survey (EOS), a study for investigating the engagement and efficiency levels, in collaboration with the agreed company at the Group level. This time, the study was conducted through a platform that we can directly access and where we can act as administrators. This study enhances our understanding of the factors that influence the main pillars of our organization (engagement and efficiency). In addition to the standard questions, agreed within the Group, we continued this year too with the supplementary questions section, designed to collect data and measure perception related to leadership skills for all management levels.

Internal Collaboration Satisfaction Survey (ICSS)

The Bank launched in 2019 a new annual edition of the satisfaction survey on internal interaction. The study was conducted throughout the year in collaboration with our traditional partner in this project, IPSOS Romania. The purpose of this study is to obtain the necessary coordinates to initiate specific actions to increase the employees' level of satisfaction regarding internal collaboration, to reach the performance goals and, last but not the least, to increase the satisfaction of the external customers with the services we offer.

Digital World

In 2019, digital guides in the retail network continued to promote the use of applications among colleagues and clients, in order to increase the level of digitization. Guides selection is part of the Business – Human Resources partnership program.

Optimizing the retail network

Raiffeisen Bank has optimized its number of banking units in order to coordinate with our strategy and business requirements. The process of addressing the personnel aimed at retaining in the organization the people with demonstrated performance. Where there were no options for staff absorption, the provisions of the CLA were applied.

WorkFromHome Program

The Bank implemented the WorkFromHome Program, with applicability in the area of eligible functions in terms of job content and information security. Working remotely is the response to current economic and demographic realities, in the context of the dynamic evolution of the labor market. It also improves the balance between professional and personal life, with an increase in engagement, working time optimization, and reduction of time spent in traffic or for commuting between work and home and vice versa. The program demonstrates our concern for the community and environment, as contributes to reducing pollution and urban agglomeration, as well as reducing unemployment, especially with regard to certain social categories (for example, people with disabilities).

Recruitment

In 2019, the recruitment team completed over 1,000 recruitment and selection processes, by identifying suitable candidates within and outside the organization.

Youth Programs

The number of young people who attended our programs designed to attract talents and shape skills increased during 2019.

At the beginning of the year, 10 graduates selected from 350 candidates started their career in banking with the *Raiffeisen Management Trainee Program.*

During the same period, 14 young people passionate about technology were recruited for the IT Division and attended the newest program launched in the organization, *Coder@Raiffeisen Bank*. This is different from the classical trainees programs in that the new colleagues first attend a series of specific courses and workshops based on a dedicated curriculum, with the support of an external partner, then they are tested to have their professional skills evaluated, and afterwards they start working in the organization, specifically in the IT Division.

In 2019 we also started a redesign project for our onboarding process. *Raiffeisen Step IN* started due to the organization's need to transform and adapt the existing onboarding process to the integration and learning needs of the new hires. As part of the program, we redefined and standardized the onboarding process by creating Guides/Checklists that aim to facilitate the integration of the new employee with the support of the direct manager, HR Business partner assigned to the area and the dedicated Buddy. At the same time, we aimed to coordinate, change and update the procedures, processes and flows in the HR, IT and Business areas of the Bank as regards their increased automation and efficiency.

We continued the *Internship programs,* both in the Head Office and network. They are targeted only to students or MBA candidates who are interested in becoming familiar with the spirit and culture of an elite multinational organization. Within two-four weeks of practice, the young internees are exposed to the specific workflow within a banking entity and acquire practical experience, useful for future employment. In 2019, Raiffeisen Bank provided internships to 300 students.

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

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

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

Starting with January 2014, following the issuance and coming into force of the EU Directive and Regulation regarding Basel III implementation, the Bank reports to the National Bank of Romania (NBR) the Leverage Ratio, the Liquidity Cover Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Bank also completed in 2014 the implementation and reporting of the European Banking Authority (EBA) standards concerning forbearance and non-performing exposures. The NBR and EBA regulations on recovery and resolution are applied by the Bank starting with 2015.

Starting with 2018, the Bank applies the IFRS 9 requirements.

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

CREDIT RISK

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

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

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

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

MARKET RISK

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

The close monitoring process and the monitoring frequency of the established limits and warning levels assure a prudent market risk profile for Raiffeisen Bank.

LIQUIDITY RISK

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

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

OPERATIONAL RISKS

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

REPUTATIONAL RISK

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

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

Tools used for assessing and managing reputational risk:
- Reputational risk indicators, which include indicators that measure the perception and behaviour of the customers – i.e., number of complaints; indicators that measure the public perception in the mass-media; and indicators reflecting the relationship with the state authorities;
- Reporting of reputational risk events, which are managed using specific flows and actions;
- Assessment of reputational risk using risk scenarios;
- Assessment of reputational risk as part of the Bank's risk profile.

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

Segments Report

IN FOCUS IN 2019

FINANCING SOLUTIONS FOR ROMANIAN AGRICULTURE

The **50%** subsidized financing cost for players in **the agricultural sector** is just one of the Bank's 2019 initiatives aimed at helping support agribusiness entrepreneurs and companies, along with other financing facilities, specific products and services. The long-standing experience of the Bank and the Group in the agricultural field makes agriculture an essential part of our business culture.

Corporate Banking

In 2019, the Corporate Banking Division pursued its strategy to ensure the long-term viability of the partnerships with ecosystems formed around key accounts customers. At the same time, efforts were allocated to optimize the risk profile of the portfolio.

6% yoy
was the assets increase of the Corporate Division, contrary to a negative trend (i.e. -10%) of the liabilities.

In the financial year 2019, our list of priorities included:

- The holistic approach towards the ecosystems formed around corporate customers, addressing all the stakeholders (suppliers, clients, employees, shareholders, key executives, etc.);

- Continued implementation of business development programs (for example, financial development, human resources management, research, optimization of operational processes) for the customers, especially on Mid Market segment. The events organized within the Raiffeisen Catalizator platform also had a strong networking component, allowing our partners to share their best practices;

- Intensification of the efficiency program by:
  - continuing the migration to electronic channels and/or centralization of expertise;
  - structuring the sales process (top-up volumes, pre-approved amounts campaigns);
  - upgrading the informational infrastructure for a faster and more reliable response to customer demands;

- Ensured compliance with local, international and group increased regulatory requirements (Basel III, Fatca, KYC, etc.).

The Large Corporates segment focused on delivering personalized customer development programs, structured on industry expertise developed over the past working years. The maturity of our business relationships allowed us to actively engage in the most relevant transactions in the market, irrespective of the structure complexity.

Focusing on regional customer coverage, the Mid Market segment continued its efforts to develop the business community by encouraging collaboration and best practice sharing. Based on the experience gained in the previous year, Raiffeisen Catalizator platform continued in 2019 and received high appreciation from our partners, who participated in large numbers to the events. In partnership with Ziarul Financiar, our Mid Market experts organised the "Romanian Brands" event, encouraging the development of local entrepreneurs and their adoption of the most modern business models (such as sustainability). Special attention was offered to the Group clients, as Raiffeisen Bank Romania respected its status of focus country within the Raiffeisen Group.

Financing structures sustained the sales effort through customized solutions for each partner and received high appreciation from clients, who considered them updated to current macroeconomic characteristics.
The Bank is undergoing a constant effort to improve its financing solutions and, to that end, the efforts and resources allocated for factoring are worth mentioning.

An important role in the growth effort had the ongoing partnership with institutional investors (EIB, EIF, EBRD), especially in the Mid Market segment. In this respect, the COSME and SMEi Programs, where Raiffeisen Bank was granted the largest share of funds on the market, are worthy of notice.

2019 was a good year also in terms of the syndicated market, with transactions in different economic sectors. Benefiting from the Group guidance and investing in important training programs, the Bank managed to have various different roles in the transactions. The agency role played by the Bank (facility and/or security) brought comfort for our partners and low risk revenues for the Bank.

An important contributor to the assets growth was the Project Finance business line, with significant transactions in real estate and retail. The internal expertise managed to bring major improvements to implementation time, despite the usual complexity of this type of transactions.

Important successes were also registered by transactional banking, with online payments share situated above the 95% threshold, following the continued optimisation efforts towards digitization and streamline processing. Economic growth brought an increased number of transactions and, consequently, more revenues.

Corporate Banking

41% higher

was the final result, compared to the previous year, which brings the Bank financial comfort in its efforts to be the preferred financial ecosystem of our customers.

Compliance with national and international regulation is an important part of the Corporate Division strategy, in order to provide our clients with the highest level of confidence and security when using the Bank services. The process was optimized to reduce the bureaucratic burden, despite the increased regulatory requirements. The Bank is committed to keeping its level of compliance with the legislation in place, in order to provide the best protection and security to its business ecosystem.

In terms of financial results, the Corporate Division increased its assets by 6% yoy, contrary to a negative trend (i.e. -10%) of the liabilities.

Top line continued the healthy growth trend (11%), sustained by average assets growth and a favorable macroeconomic environment. Despite continued external pressures (e.g. minimum wage increase) and the impact of internal development efforts from previous years, operational expenses slightly decrease (i.e. -1%), compared to previous year's level. These positive evolution triggered a 5 pp decrease in the cost to income ratio, echoing the past efficiency efforts.

Major improvements were registered on the risk profile of the business line, with risk costs registering a 46% decrease and NPL ratio a decrease of 72 bp, which brings additional comfort to the future forecasts.

The final result is higher by 41% than the previous year, bringing financial comfort for our investments in the main strategic pillar: to be the preferred financial ecosystem of our customers.

2019 marked a year with extraordinary launches for Raiffeisen Bank Private Individual (PI) clients, both in terms of the digital solutions offered, as well as the benefits added to the offer to simplify the clients' banking experience.

In 2019
we launched
100% online loans, the new mobile banking app and digital payments on smartphone and smartwatch.

2019 started with the launch of Flexicredit 100% online, the addition of free withdrawals from any ATM of any bank in Romania in the ZERO Simple Package, and a special offer for deposits, continued with the launch of the new mobile and internet banking applications – Smart Mobile and Raiffeisen Online –, the launch of digital payment applications – RaiPay, Apple Pay, Garmin Pay –, the launch of Smart Hour in the new mobile banking application, which allows clients to exchange Lei/EUR at the NBR exchange rate, and a special offer for refinancing personal loans.

Raiffeisen Bank continued to be part of some of the most appreciated and awaited events by our clients: Neversea Festival, Jazz TM, George Enescu Festival, Art in the Street, Art Encounters, WebStock, Unfinished Festival, Undercloud Festival, International Bucharest Marathon and numerous other local events.

All these efforts have been widely appreciated by our clients, especially due to the benefits offered and the professionalism of the Bank's employees. In 2019, Raiffeisen Bank recorded its highest number of clients who would recommend the Bank's services, reflected in a 15% increase of the NPS score, compared to 2018.

THE DIGITAL TRANSFORMATION OF THE DAILY BANKING

Raiffeisen Bank aims to continue to offer the best banking experience, at the best value-for-money for its clients, and therefore offers zero commissions for all daily banking services that matter to clients in the current account packages ZERO Simple and ZERO Tot.

At the end of 2019, over 1.7 million customers were enjoying the benefits of these two current account packages: zero commissions for account, card, electronic services (Smart Mobile and Raiffeisen Online), electronic transactions and free withdrawals from any ATM of any bank in Romania.

Raiffeisen Bank is proud to say that its clients own over 1.9 million PI debit cards. Compared to 2018, the debit card transactions increased by over 23% in number and 5% in value. Moreover, the number of e-commerce transactions increased by 40% compared to 2018.

THE NEW MOBILE BANKING APP: SMART MOBILE

In 2019, Raiffeisen Bank continued its digital transformation process, launching the new Mobile and Internet Banking applications: the new Smart Mobile and the new Raiffeisen Online. With an intuitive and friendly design, the new applications present all account and cards information at once, have a simplified payment flow and offer better cards control. Another novelty element is Raiffeisen SmartToken, the smartphone application that allows customers to log in 100% online in the new applications. These apps are developed in-house by the Raiffeisen Bank IT team and allow for the faster introduction of new features.

A highly appreciated benefit in the new mobile app is Smart Hour, consisting in one hour when Raiffeisen Bank customers can exchange money at the NBR exchange rate. In the new Raiffeisen Bank applications, between 10:00 and 11:00, from Monday to Friday, Raiffeisen Bank customers can exchange Euro or Swiss francs in Lei or vice versa, in their own accounts, at the NBR exchange rate.

In 2019, the number of digital clients has almost reached 700,000, and over 450,000 are already using the new platforms. By the end of 2019, one in two digital customers were performing at least one transaction in the online and mobile banking applications.

RAIPAY, APPLE PAY AND GARMIN PAY

Focusing on providing a simplified experience to its customers, Raiffeisen Bank launched in 2019 digital payments by phone and smartwatch, reaching over 100,000 active customers, with RaiPay app (on Android), Apple Pay (iOS) and Garmin Pay (Garmin watch).

RaiPay is the mobile phone payment application for Android operating systems that customers can use to pay contactless, fast and securely, by just holding their phone over the POS. Designed as a digital wallet, RaiPay allows users to enroll several Raiffeisen Bank cards, from individuals or companies.

500,000

of credit cards holds Raiffeisen Bank in its portfolio, which makes the Bank the leader of the local market, with a share of 17.4%.

Starting 2019, Raiffeisen Bank cards can also be enrolled in Apple Pay, which allows for digital payments via iPhone or Apple Watch. The purchase authorization is made using Face ID (face recognition), by a simple touch – Touch ID (fingerprint recognition), or by password.

The year ended with the launch of Garmin Pay, the Garmin watch payment application mainly used by sports lovers. Besides measuring sports performance, with a compatible Garmin watch you can pay for stuff by holding your wrist near a contactless card reader – no cards needed.

ENCOURAGING SAVINGS AND INVESTMENTS

Given the interest in actively rewarding clients who receive their monthly salary or pension with Raiffeisen Bank, as well as those who use digital channels, in 2019 we launched a promotional campaign dedicated to new deposits. As part of this campaign, clients received competitive rates of up to 2% per year for newly opened 6-month term deposits and up to 2.75% per year for 12-month term deposits. As a proof of confidence in Raiffeisen Bank, the portfolio of volumes in Lei attracted from the population increased by 11% compared to the end of 2018.

We also focused our attention on meeting the clients' needs for portfolio diversification and yield, thus offering a diverse range of investment funds denominated in local and foreign currencies, with responsibility and professionalism, considering the clients' knowledge and experience in the investment field.

RESPONSIBLE LENDING SOLUTIONS

In 2019, Raiffeisen Bank continued its mission to provide responsible credit products, simpler and faster for customers, with visible results: 6% more personal loans approved on the spot compared to the previous year, over 60% of them being approved through automated flows. In 2019, personal loans were granted exclusively with fixed interest.

Starting February 2019, Raiffeisen Bank clients have had the possibility to contract a personal loan 100% online, within 10 minutes, signing the documents by qualified electronic signature. Customers' interest in digital lending solutions is also reflected in the business results, about 8% of the personal loans' volumes granted in 2019 being initiated in the digital environment.

Regarding the Casa Ta mortgage loans, Raiffeisen Bank has one of the most competitive and complete propositions on the local market, offering both fixed interest loans for the first 7 years, as well as variable interest loans, a dedicated pricing for green homes, and an interest rate discount for clients who receive their salary at Raiffeisen Bank.

Among the most appreciated Casa Ta benefits are the fast pre-approval of the loan, on the spot or in maximum 24 hours, with a validity of 90 days, and a grace period for the first installment, thus clients having the opportunity to focus on their new home after the loan is granted. The volumes of Casa Ta mortgage loans granted in 2019 increased by 32% compared to the previous year.

CREDIT CARD MARKET LEADER

Raiffeisen Bank is a pioneer of card services in Romania. The Bank is leading Romanian credit cards market with over 500,000 active cards in our portfolio, having a market share of 17.4%.

Raiffeisen Bank is present in the commercial cards market with a portfolio of 136,000 cards and a market share of 16%.

BRANCH NETWORK

In 2019, Raiffeisen Bank's network maintained its urban national coverage, with a balanced geographic distribution, consisting of 351 branches, offering a full range of products and services for private individuals (Mass & Premium) and legal entities. In 43 branches, the cash operations were transferred to multifunctional machines (MFM) in the 24/7 areas.

By adopting the cashless concept, our wish was to save time for our customers, offering them a more valuable counselling on digital payments, loans or saving products.

Thus, one of the major objectives in 2019 was to develop the multifunctional machines (MFM) fleet, in order to provide a much wider range of services in the 24/7 areas, irrespective of the branches' schedule regarding cash deposits (Lei), bill payments, foreign exchanges or cash withdrawals. Raiffeisen Bank is operating a network of 780 ATMs, 328 multifunctional machines and over 22,000 POS terminals.

We continued to implement the "Next Generation Branch" – a new concept of brick and mortar, an up-to-date formula for the Raiffeisen branches. The Bank units will thus have simplified workflows, in an open and friendly space, contemporary design and digital technology, inviting the customers to a quick, enjoyable, and valuable interaction with our Bank.

WE BUILD THE FUTURE OF BANKING WITH OUR CLIENTS

In line with the Bank's vision and brand positioning – "Proper banking" – 2019 brought important achievements, oriented towards our clients and built taking into account their feedback.

Based on a partnership with a top provider, we have implemented, through a pilot program, a Customer Experience management platform, PULS, capable of delivering a centralized perspective of our customer portfolio, in real time. The platform provides a starting point for improving the quality of products and services offered, based on customer needs and feedback, the main objective being an overall better customer experience for them.

By the end of 2019 we sent 138,000 invitations for completing the surveys and collected 10,500 feedbacks from the customers of the 68 units, relationship managers and direct sales agents involved in the pilot, having a response rate of 14%.

At the same time, we continued delivering training programs to continually enhance the skills of our front-office employees, thus making sure that we offered a professional interaction to our clients, and subsequently, creating long-term relationships.

In direct correlation with the transactional intensity, in 2019 the number of complaints registered by Raiffeisen Bank continued its increasing trend. Out of the total complaints, 60% represent disputed card transactions. However, customer satisfaction with the complaints management process remained at the level recorded in 2017 and 2018 – 3.3.

CUSTOMER COMPLAINTS MANAGEMENT	2017	2018	2019
Number of complaints	77,716	96,690	108,173
Satisfaction with complaint process (survey scale 1-5: 1 = very unhappy, 5 = very happy)	3.3	3.3	3.3

17%
is the increase in the number of customers of the Premium Banking service registered in 2019, compared to 2018 – a true record.

YOUTH SEGMENT

Youth continued to represent an important customer segment to Raiffeisen Bank, covering young people 18-25 y.o., who are offered a dedicated current account bundle with zero costs based on age only. In 2019, Raiffeisen Bank intensified its presence in 47 universities from 21 cities across the country.

PREMIUM CUSTOMERS

Through the Premium Banking service, Raiffeisen Bank addresses high-worth customers (with monthly income of over 2,000 euros or assets under management in Raiffeisen Group ranging between 40,000 and 250,000 euros). The key value proposition pillar for these customers is the Personal Banker, along with other Premium benefits relevant to the complex needs of these clients.

In 2019, Raiffeisen Bank continued its strategy of consolidating business volumes on this segment, as well as its customer base, leading to a record increase of more than 17% in the number of customers, compared to 2018.

FRIEDRICH WILHELM RAIFFEISEN (FWR)

Raiffeisen Bank Romania's Private Banking Division, with over EUR 1.2 billion in assets under management, continues to enjoy a high level of recognition for its service excellence, by both customers and the financial market.

Friedrich Wilhelm Raiffeisen was nominated in 2019 as "the best Private Banking services in Romania" by PWM/The Banker, part of the Financial Times group. In 2019, we continued to improve the quality of our services by investing in digitization and human capital.

SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

The Small and Medium-sized Enterprises segment in Raiffeisen Bank, considering the characteristics of the Romanian market, comprises SMEs with private capital and an annual turnover of up to EUR 5 million, including Liberal Professions. The Bank's strategy aims to provide an ecosystem that ensures all the financial services needed to conduct entrepreneurial businesses and build long-term relationships, through a responsible attitude, by positioning the clients' specific needs at the heart of the Bank's concerns and offering easy-to-use financial products and solutions.

SME clients are segmented into micro-companies (up to EUR 1 million turnover annually), small & medium enterprises (with an annual turnover of up to 5 million), as well as Liberal Professions, based on their memberships in the respective associations and bodies.

This ensures a personalized approach of the SME customers, according to their profile, size of activity, as well as the complexity of their transactional & financial needs. Moreover, the Bank applies a constantly updated behavioral model that helps with a more thorough understanding of the client needs, values, and expectations related to the Bank interaction. Consequently, a series of products and services are permanently adapted to the specific requirements of various entrepreneurs' subcategories, while communication is directed through their preferred channels.

From a service model perspective, Raiffeisen Bank consultants (SME Relationship Managers and Branch managers) provide financial advisory and dedicated assistance to customers, using a 360° approach in identifying the most appropriate financial solutions and taking informed decisions in this respect.

Besides the extensive branch network, SMEs benefit of the same client experience across a wide range of alternative channels through which they can access the Bank's products and services: mobile banking (Smart Mobile), Internet Banking (Raiffeisen Online) or the remote interaction solution – Interactive Voice Response via Call Center.

Digital solutions such as Raiffeisen Online and Smart Mobile continue to be a priority, as they provide our clients with a simple and convenient user experience; therefore, the Bank's efforts focus on financial education, from the moment of opening the account, and on migration to alternative channels. These applications aim at enhancing customer experience and ensure the availability of services anywhere and at any time, besides offering the lowest costs for banking operations. The share of customers currently using digital channels increased from 55% in 2018 to 63% at the end of 2019, while digital transactions volume reached 94% of the total.

At the same time, with regard to alternative solutions to cash, the number of the multifunctional machines (MFM) was extended by 19% nationwide, to over 260 machines that allow for multiple transactions: cash deposits and withdrawals, bill payment, account statements, foreign currency exchange, etc. Under these conditions, the share of activity through MFMs in total cash transactions grew from 58% in 2018 to 62% at the end of 2019.

Current account packages optimization continued by including unlimited Lei receipts and unlimited electronic Lei intra-bank payments, thus offering to entrepreneurs the advantage of performing all transactions with their business partners without additional costs, should these have bank accounts with the Bank. Furthermore, the range of freely included benefits extended with foreign currency payments and debit instruments transactions, besides the access to the main digital channels and the most usual banking transactions and services (like Lei receipts and payments, cash deposits and withdrawals at ATM/MFM, preferential tariffs for currency payments).

Financing solutions remained a critical need for SME clients, and the Bank continued to support them, loan portfolio growing by 4.2%, up to approximately EUR 480.4 million as of December 2019, in the context of an overall consolidation of the lending market. Proactively and based on publicly available data, the companies were offered pre-selected financing alternatives, both for current activity and for capital expenditure purposes.

After its launching in 2018, for the first time on the Romanian banking market and recognized as such by the local and regional mass-media, the factory by Raiffeisen online platform, dedicated to entrepreneurial culture in general, and to startups in particular, has continued to develop. In the second edition of the program, 83 Romanian startups were selected to receive funding totaling over EUR 3 million. The three times higher results, when compared to the first edition, confirms the trend – noticed also after a study commissioned by the Bank – regarding the increase of the number of employees who want to change their status from employee to entrepreneur. The Bank's support included both current account packages for the daily transactions, as well as access to courses and business development consultancy. The financing provided by the factory by Raiffeisen program is granted through the COSME agreement, guaranteed by the European Investment Fund.

Raiffeisen Bank and the European Investment Fund (EIF) continued their cooperation, first started in 2010, by carrying on the most recent agreements, signed in 2017, totaling more than half a billion EUR (equivalent). The two programs mentioned are "EU program for the Competitiveness of Small and Medium-sized Enterprises" (COSME) and the "EU SME Competitiveness Program" (SME Initiative – SMEi). Both initiatives aim to improve the access to credit for SME by providing partial risk cover for SME loan portfolios of originating financial institutions. 4,700 SMEs benefited of funding through flexible collateral alternatives under these programs so far.

The third EIF program carried out by Raiffeisen Bank in 2019 represents a EUR 30 million new agreement for financing and guaranteeing loans in Lei, for working capital and investments purposes, addressed to farmers and entrepreneurs in rural areas, with subsidized interest rates and costs. This new program is focused on stimulating agricultural investments in equipment & machinery, but also on the broader development of the rural and mountainous areas, reaching over 120 beneficiaries in 2019.

Based on the current trends in the business environment, approximately 900 clients have benefited from attending various events, from networking to tax presentations and leadership workshops. Following the clients' interests from a broad perspective, the Bank concluded a partnership agreement with the Romanian company Keez, an Accounting Tech startup, for facilitating SME clients' access to new technological solutions for online accounting services, as well as a partnership with Confidas platform, that can be used as an information or alert/warning system for commercial relationship between local companies.

2019 proved again that the capital markets universe is a truly global one and that, despite the country specifics, all the local markets react, in a way, to the global environment.

EUR/RON was one of the most stable currency pairs in the region, which was a good reason for international investors to take Romania into consideration.

At the same time, the ECB, the Fed, the emergency ordinance 114 (OUG114) and the high levels of twin deficits increased the interest rates volatility. Therefore, we had, on one hand, positive periods of the year when the yields for government bonds decreased, but also, on the other hand, moments of abrupt corrections of the yields.

In this environment, the CM Directorate of Raiffeisen Bank continues to have an open and solid relation with all the Bank's clients, from all segments, providing them with relevant information and products based on their needs, as well as maintaining a well-documented distribution model.

We continue to be relevant among the MoF Primary Dealers and are no. 4 in the ranking, a position that entitled us, and the RBI Group, to conclude further transactions in relation with the Ministry of Finance.

We optimize our risks and continue to be one of the relevant banks in all markets where RON is traded.

We continue to allocate resources on the digitization of products in the capital markets to enable our customers to benefit from recent technological advancements.

ECONOMIC AND EQUITY RESEARCH

The Economic and Sectorial Research Directorate produces and disseminates analyses and reports covering the main developments in the Romanian economy and financial market.

Macroeconomic research is aimed to provide a comprehensive overview of the most recent developments in the economy (with focus on GDP, external sector, inflation, interest rates, exchange rate) and an outlook for the coming period. Economic research is also performed for the key sectors of the economy (companies and households) in order to identify the structural characteristics of these sectors, the most recent tendencies in their activity, as well as their potential in terms of banking activity. Macroeconomic research is carried out by a professional team, using quantitative techniques, and also available public and internal databases. Macroeconomic analyses on Romanian economy are delivered to the corporate customers of Raiffeisen Bank as part of daily, monthly and quarterly reports (Daily Market Report, Romania – Macroeconomic Developments, Romania – Determinants of Economic Growth). Also, macroeconomic analyses on Romania are included in the reports published by Raiffeisen RESEARCH in Vienna, which provide useful insights regarding the past and potential dynamics of the economic activity in the countries where Raiffeisen Bank International is present. Moreover, the economic and sectorial research is a key input for the Bank's business lines, helping them to shape current and strategic decisions and to assess the consequences of different risk scenarios.

Starting with 2018, the equity research products are distributed only through Raiffeisen Centrobank. In 2019, the equity research team offered comprehensive research coverage of the Romanian stock market, actively covering 9 out of 16 companies included in the Romanian BET index. Among the key equity research products disseminated to the clients there were the company reports that contained the analysts' views on the covered stocks. The focus remains to stay in touch with the institutional investors, which are actively pursuing the local stock market. As the team aims to keep clients informed, relevant news were sent daily before the start of the trading session or whenever market moving information came along during the day. The research team continued to participate in projects side by side with the Investment banking department, taking care to fully comply with the independence and non-interference principles between the corporate finance and research activities. The analysts apply fundamental analysis and use an array of methods and techniques to reach a target price and thus an investment recommendation for the companies under coverage.

EUR 3.64 billion,

up 8% compared to the end of the previous year, is the value of the assets for which Raiffeisen Bank performs fund administration and custody services.

FINANCIAL INSTITUTIONS & GSS

The Financial Institutions & Group Securities Service Directorate (FI & GSS) is responsible for the relationships that Raiffeisen Bank Romania has with various bank and non-bank financial institutions, both domestically and abroad. These include commercial banks, investment banks, insurance companies, leasing companies (having a financial group as main shareholder), investment funds, pension funds, brokerage companies, financing companies (mortgage or consumer finance), and supranational. Lately, a new group of companies, representing Payment Service Providers/Money Service Businesses, have entered the portfolio of FI clients.

Financial Institutions & GSS is also responsible for the custody product and depository for investment funds and pension funds privately managed, respectively.

Financial institution segment is recognized as a significant source of fee-driven revenues for the Bank, with a moderate lending exposure and capital requirements. No risk costs are associated to the segment.

Throughout 2019, the main areas that registered significant increases from an income point of view were: payments, trade finance, FX business, custody and fund administration (depository). Lending to non-bank financial institutions was also one of the main objectives of activity for 2019, given our strong position on the local market. The activity of both categories of customers – banks and non-banks – continued to grow in terms of volumes. Based on the excellent quality of our products and attached services, combined with Raiffeisen Bank's strong reputation on the local market, approximately 81 banks held settlement accounts with us both in local and foreign currency, as of end-2019.

SECURITIES SERVICES – CUSTODY AND FUND ADMINISTRATION

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

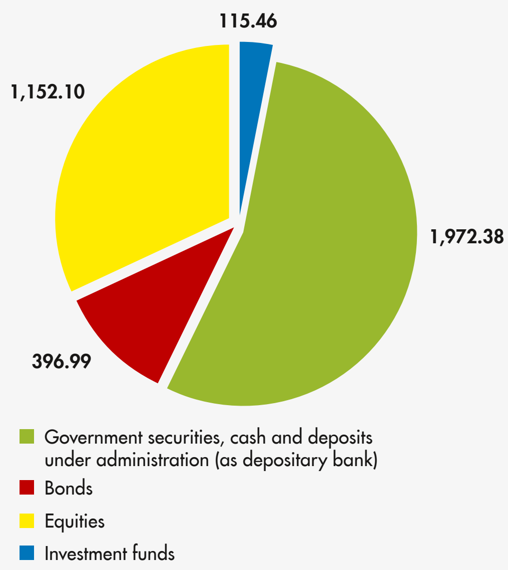
At the end of 2019, over 1,000 securities accounts opened on behalf of the clients had positions. The value of the assets for which Raiffeisen Bank performs fund administration and custody services was of EUR 3.64 billion, up 8% compared to the end of the previous year.

During 2019, the Bank strengthened its role as agent on the Romanian market for external clients. Relevant for the market presence is the growth in the volumes settled in relation to Depozitarul Central as settlement bank, of 73% compared to the volumes settled during the previous year for the local and RBI Group clients.

The application used by the Bank for managing custody and depositary operations has been upgraded, by migrating to Oracle 12 (database and forms). The upgrade will allow the fast implementation of updates aiming to increase the efficiency of the custody and depositary activity.

During 2019, the custody and depositary activity was subject to an external audit mission, performed under the ISAE 3402 standard. The audit verified the compliance of the custody activity with the regulatory provisions, including the asset protection safeguards, and with the best practices in the industry. The audit mission included a series of checks on the custody transactions processing, securities reconciliation and reporting, training and authorization of the custody and depositary staff, and the report did not identified deviations from the targeted standards.

Assets structure 2019 (EUR mill.)



BALANCE SHEET AND PORTFOLIO MANAGEMENT

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

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

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

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

- analyzing and understating the liquidity behavior of products and business segments;
- monitoring and forecasting the liquidity position;
- maintaining optimum short-term liquidity, including intraday, for insuring Banks' ability to perform real time payments;
- managing the portfolio of high-quality liquid assets (HQLA), as defined by the European and local regulations;
- managing the investment portfolio;
- compliance with the regulatory minimum reserve requirements.

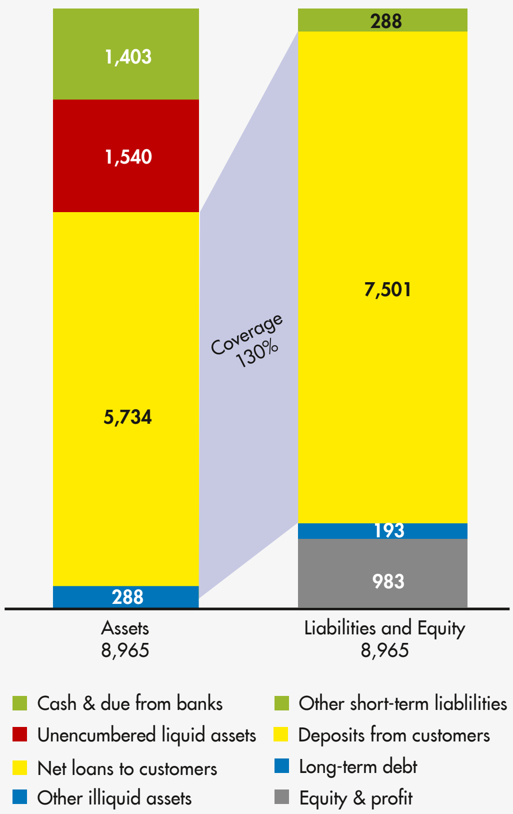
In order to ensure an adequate level of liquidity under stress conditions, the Bank maintains a liquidity reserve comprised of high-quality liquid assets (HQLA), including cash held at the Central Bank and bonds eligible as collateral for Central Bank liquidity facilities. By maintaining this reserve,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

Liquidity Coverage Ratio (LCR), the regulatory standard for stress conditions, aims to ensure sufficient liquid assets to meet stress-free liquidity needs for 30 days. According to regulatory requirements, the Bank has to maintain a LCR level above the minimum threshold of 100%. In the case of Raiffeisen Bank, the value of the liquidity buffer held by the Bank amounted to EUR 2,208 million in December 2019, the corresponding ratio being close to 159%, significantly higher than the regulatory level.

	DECEMBER 2018	DECEMBER 2019
High-quality liquid assets (EUR mill.)	2,016	2,208
Net outflows (EUR mill.)	1,277	1,389
LCR value (%)	158%	159%

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

Balance sheet structure 31 Dec. 2019, EUR mn



The balance sheet is funded primarily through core customer deposits, long-term debt (in the form of senior debt issuance, senior loans and subordinated bonds/loans), and capital instruments.

We monitor the sources of funding, including their concentrations, according to their currency, tenor, maturity, and whether they are secured or unsecured.

Similarly to 2018, last year was characterized by ample liquidity, especially in foreign currency (EUR), at the level of the Bank, sustained primarily by its strong deposit base. In addition, in 2019 Raiffeisen improved its capital position by issuing two RON denominated capital instruments: subordinated bonds, being the first external (outside the Group) Tier 2 eligible instrument placed by the Bank and Additional Tier 1 bonds (AT1). As of December 31, 2019, the Bank held a comfortable capital position.

The Bank continued its successful partnership with the European Investment Fund (EIF) under the SME Initiative, a program dedicated to SMEs, signed in 2017. In May 2019, the initial volumes were fully allocated, and Raiffeisen and EIF signed an agreement for supplementing the funds allocated to this program.

The Bank has a total of five financing and guarantee agreements signed with EIF, which allows us to grant loans to SMEs with reduced collateral requirements, for longer tenors, and to offer support to startup companies, which usually have limited access to lending.

INVESTMENT MANAGEMENT SERVICES

In a challenging market environment, defined by interest rates volatility and a tougher competition across the industry, Raiffeisen Asset Management (RAM), our asset management company, part of the Group, consolidated its market share slightly above 24%.

Value of the total assets under management increased in 2019 to approximately EUR 1.3 billion, as we managed to post the first annual increase in AUM in the last three years.

During 2019, in close cooperation with Raiffeisen Bank, we focused our efforts towards investment diversification among RBRO's clients and improved the distribution flows of our fund based saving plans (SmartInvest).

Best selling fund of the year was the EUR denominated fixed income fund (Euro Plus), with net subscriptions exceeding EUR 31 million. Our managed solutions were the main contributors in the mix funds category, totaling net subscriptions of more than EUR 20 million.

Our sales team has been involved in preparing and delivering training programs for RBRO's sales force. We have successfully conducted more than 50 workshops all over the country, mainly for Premium and Mass employees, and assisted them in meetings with their most important clients.

Starting with the clients' expectations and risk profile, RBRO's advisors offered a wide range of products, the investment funds being an attraction not only for the individuals with saving and investing interests, but for the small and medium companies that want to maximize the return of their liquidities as well.

The wide range of products contributed to increasing customer satisfaction and to diversification of customer investment options, not only in RON, but in EUR and USD as well. We put great emphasis on the adequate communication of the advantages of the funds and the flexibility offered by the different types of funds and tranches available to our investors.

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

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

At the end of 2019, Raiffeisen Asset Management was the only asset management company in Romania offering both open investment funds and voluntary pension funds. The social capital amounting RON 10,656,000 is 99.99% owned by Raiffeisen Bank S.A. The total assets exceeded EUR 15.5 million.

By the end of 2019, Raiffeisen Asset Management S.A. was the second largest player on the local funds market, with a market share of 24% and assets under management equivalent to approximately EUR 1.3 billion.

Raiffeisen Leasing IFN S.A. has been representing the Raiffeisen Group on the Romanian leasing market since 2002. The company share capital is RON 14,935,400 and offers a wide range of products for SMEs, corporations and, in a small part, for individuals. The company provides customized financing solutions in Lei or Euro, offering fixed or variable interest finance for various types of projects and assets, such as vehicles and equipment. Raiffeisen Leasing offer is also available in over 350 Raiffeisen Bank agencies.

As of 31.12.2019, Raiffeisen Leasing IFN S.A.'s assets amounted to EUR 235 million and its active contracts database included about 10,300 active contracts. The company has strengthened its business volumes in the past years, confirming in 2019 its established strategic directions, registering a balanced portfolio structure as regards customer segments and funded assets, as well as a proper risk management. In 2019, Raiffeisen Leasing actively pursued achieving a responsible business model, focused on clients' needs.

Raiffeisen Leasing's offer was kept in line with the market trends and general context. In 2019 the leasing market registered about 15% increase compared to 2018, mainly sustained by the automotive segment – cars and commercial vehicles. Raiffeisen Leasing achieved EUR 137 million in 2019, in terms of new business volumes.

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

Aedificium Banca pentru Locuințe S.A. (ABL) is the first company in Romania promoting the savings-lending (known as Bauspar) system, founded in 2004 and focused on developing the housing sector.
The company is owned by Raiffeisen Bank S.A., representing 99.9993% of the entire share capital.

The product is a combination between savings and loans and, besides the state premium granted by the Romanian state, the Bank offers fixed interest both on savings and on loans. The Bauspar system for housing purposes has a social role, encouraging the long-term savings and improving the housing conditions in Romania.

At the end of 2019, Aedificium Banca pentru Locuințe S.A. had a share capital of RON 131 million and assets amounting to RON 399.4 million.

OTHER PARTICIPATIONS AN D EQUITY INVESTMENTS

At the end of 2019, the Bank owned 33.33% of Fondul de Garantare a Creditului Rural IFN S.A.'s share capital and also held equity investments in Biroul de Credit S.A, Depozitarul Central S.A., Fondul Român de Garantare a Creditelor pentru Întreprinzătorii Privați IFN S.A., Visa Inc., Societatea de Transfer de Fonduri și Decontări-TransFond S.A. and Fondul de Compensare a Investitorilor S.A.

Consolidated and Separate Financial Statements

IN FOCUS IN 2019

FINANCING AND POST-FINANCING SUPPORT FOR STARTUPS

83 startups received funding totalling over 3 million euros under the **factory by Raiffeisen** program. Out of the 315 submitted projects, 83 were selected, from all regions of the country, covering several fields – services, production, IT&C and education. Factory by Raiffeisen is a startup lending program granting up to 50,000 euros per project. The loans are provided through the COSME program, with a guarantee from the European Fund for Strategic Investments (EFSI).

Statement Regarding the Responsibility for Preparing the Financial Statements 31 December 2019

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 2019 and I confirm that:

a) accounting policies used for preparing the consolidated and separate financial statements as of 31 December 2019 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 2019 fairly reflect the financial position, statement of comprehensive income, statement of changes in equity, statement of cash flow and the related notes for the activity developed in accordance with Order of the National Bank of Romania No. 27/2010 and related amendments, which require that these consolidated and separate financial statements to be prepared in accordance with International Financial Reporting Standards as endorsed by the European Union.

Mihail Ion
Vice-president & Chief Financial Officer

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TO THE SHAREHOLDERS OF RAIFFEISEN BANK S.A.
REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Raiffeisen Bank S.A. (the Bank) with official head office in 246C Calea Floreasca Bd, Bucharest, Romania, identified by sole fiscal registration number RO 361820, which comprise the consolidated and separate statement of financial position as at December 31, 2019, the consolidated and separate income statement, the consolidated and separate statement of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank as at December 31, 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with the National Bank of Romania Order no 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with subsequent modifications and clarifications.

Basis for opinion

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

KEY AUDIT MATTERS

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

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

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

Key audit matter
Impairment of loans and advances to customers

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

The potential effect of the above items is a high degree of estimation uncertainty, with a potential range of reasonable outcomes, significantly different than the existing estimated impairment allowance.

Notes 3j, 5 and 21 to the consolidated and separate financial statements present more information on the estimation of impairment allowance for loans and advances to customers.

Due to the significance of loans and advances to customers (representing 62.92% of total Group's assets and 62.88% of total Bank's assets) and the related estimation uncertainty, we consider this a key audit matter.

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

We assessed the design and evaluated the operating effectiveness of internal controls over the monitoring of loans and advances to customers and over loss allowance calculations including the quality of underlying data and relevant systems.

We examined management's review regarding the macroeconomic scenarios and assessed the reasonability of the scenarios and weights.

For the loss allowance of impaired loans assessed on an individual basis, our evaluation was focused on the loans with the most significant potential impact on the consolidated and separate financial statements and considered the key assumptions underlying the impairment identification and quantification such as estimated future cash flows, including the realizable value of collaterals and estimates of recovery on default. We compared with the available market information based on our own experience on the matter. Our internal valuation specialists were involved, as appropriate, in performing our audit procedures.

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

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

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

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

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

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

Key audit matter
Information Technology (IT) systems relevant for financial reporting
A significant part of the Bank's operations and financial reporting process is reliant on IT systems involving automated processes and controls over the capture, storage and processing of information.

An important component of this internal control system involves the existence of and adherence to appropriate user access and change management processes and controls. These controls are particularly important because they ensure that the access and changes to IT systems and data are made by authorized persons in an appropriate manner.

The IT environment of the Bank is complex with a significant number of interconnected systems and databases. Due to the high automation of the processes relevant for financial reporting and due to the complexity of the IT environment of the Bank, a high proportion of the overall audit procedures was concentrated in this area. We therefore consider that this area represents a key audit matter.

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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.

Building a better working world

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon
In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Directors' Report, we have read the Directors' Report and report that:

a. in the Directors' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated and separate financial statements as at December 31, 2019;
b. the Directors' Report identified above includes, in all material respects, the required information according to the provisions of the National Bank of Romania Order no 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications, Annex 1 points 11-14 and 37-38 respectively;
c. based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated and separate financial statements as at December 31, 2019, we have not identified information included in the Directors' Report that contains a material misstatement of fact.

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

Appointment and Approval of Auditor
We were appointed as auditors of the Bank by the General Meeting of Shareholders on May 2nd 2018 to audit the consolidated and separate financial statements for 3 years covering the financial periods end December 31st, 2018 till December 31st 2020. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 8 years, covering the financial periods end December 31st, 2012 till December 31st, 2019.

Consistency with Additional Report to the Audit Committee
Our audit opinion on the consolidated and separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Bank, which we issued on 23 March 2020.

Provision of Non-audit Services
No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Bank and we remain independent from the Bank in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated and separate financial statements, no other services were provided by us to the Bank, and its controlled undertakings.

On behalf of

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

Ernst & Young Assurance Services S.R.L.
27. MAR. 2020
Signed for identification
Semnat pentru identificare

Name of the Auditor/ Partner: Alina Dimitriu
Registered in the electronic Public Register
under No. AF1272
Bucharest, Romania 27 March 2020

Alina Dimitriu

English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

Consolidated and Separate Statement of Comprehensive Income
for the Year Ended 31 December 2019

		GROUP		BANK	
IN RON THOUSAND	**NOTE**	**2019**	**2018**	**2019**	**2018**
Interest income		1,920,841	1,675,119	1,870,946	1,632,586
Interest expense		(161,537)	(141,857)	(151,804)	(132,613)
Net interest income	8	**1,759,304**	**1,533,262**	**1,719,142**	**1,499,973**
Fees and commissions income		835,416	839,743	783,371	817,665
Fees and commissions expense		(251,674)	(200,612)	(249,609)	(201,174)
Net fee and commission income	9	**583,742**	**639,131**	**533,762**	**616,491**
Net trading income	10	332,812	358,043	332,727	357,988
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	26	40,300	38,811	39,619	38,481
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income		4,054	480	4,053	480
Gains or (-) losses from hedge accounting, net	27	34	145	34	145
Other operating income	11	25,693	26,529	29,709	31,873
Operating income		**2,745,939**	**2,596,401**	**2,659,046**	**2,545,431**
Operating expenses	12	(948,222)	(754,116)	(930,404)	(742,654)
Personnel expenses	13	(608,021)	(599,863)	(581,770)	(577,172)
Net provisioning for impairment losses on financial assets	14	(176,429)	(176,124)	(187,040)	(174,546)
Negative goodwill	25	7,204	–	–	–
Share of gain from associates and joint ventures	25	1,909	1,027	–	–
Profit before income tax		**1,022,380**	**1,067,325**	**959,832**	**1,051,059**
Income tax expense	15,16	(187,670)	(173,536)	(180,377)	(169,972)
Net profit for the year		**834,710**	**893,789**	**779,455**	**881,087**
Items that may be reclassified subsequently to profit or loss					
Net gains (losses) on financial assets at fair value through other comprehensive income		7,321	21,319	7,132	21,121
Related tax for above positions		(1,171)	(3,408)	(1,141)	(3,377)
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		13,123	7,872	13,123	7,872
Related tax for above positions		(2,100)	(683)	(2,100)	(683)
Total comprehensive income for the year, net of income tax		**851,883**	**918,889**	**796,469**	**906,020**

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

The consolidated and separate financial statements were approved by the Management Board on 23 March 2020 and were signed on its behalf by:

Mihail Ion
Vice-president & Chief Financial Officer

Roxana – Maria Apostol
Accounting Director

Consolidated and Separate Statement of Financial Position
for the Year Ended 31 December 2019

IN RON THOUSAND	NOTE	GROUP 31 DECEMBER 2019	GROUP 31 DECEMBER 2018	BANK 31 DECEMBER 2019	BANK 31 DECEMBER 2018
ASSETS					
Cash and cash with Central Bank	17	6,506,880	7,197,230	6,506,056	7,197,222
Loans and advances to banks at amortised cost	20	207,307	437,854	201,002	435,126
Derivative assets held for risk management	19	8,843	8,620	8,843	8,620
Trading assets	18	402,931	299,045	402,931	298,926
Financial assets mandatorily at fair value through profit or loss	26	363,525	380,228	343,625	368,508
Investment securities at fair value through other comprehensive income	22	2,398,161	3,204,307	2,326,371	3,204,307
Equity instruments at fair value through other comprehensive income	23	61,902	48,023	61,902	48,023
Investment in subsidiaries, associates and joint ventures	25	17,780	24,980	97,953	105,349
Loans and advances to customers at amortised cost	21	27,593,634	26,144,360	26,961,414	25,389,969
Fair value changes of the hedged items-hedge accounting	27	3,204	1,124	3,204	1,124
Investment securities at amortised cost	24	4,952,776	2,333,367	4,674,232	2,308,071
Current tax receivable		365	–	–	–
Other assets	28	495,663	302,939	456,471	278,543
Deferred tax assets	29	21,175	28,071	18,334	26,444
Property, equipment and right-of-use assets	30	588,570	203,274	586,246	201,117
Intangible assets	31	233,512	181,115	230,140	178,461
Total assets		**43,856,228**	**40,794,537**	**42,878,724**	**40,049,810**
LIABILITIES					
Trading liabilities	18	15,091	18,322	15,091	18,322
Derivative liabilities held for risk management	19	25,304	7,478	25,304	7,478
Deposits from banks	32	308,670	536,070	308,670	536,070
Deposits from customers	33	36,108,826	33,051,203	35,802,310	33,093,573
Loans from banks and other financial institutions	34	512,962	809,898	42,269	108,274
Derivatives – hedge accounting	27	3,497	1,433	3,497	1,433
Current tax liabilities		7,413	84,677	5,207	84,048
Other liabilities	35	914,721	599,416	903,597	593,522
Debt securities issued	34	480,617	512,458	480,617	516,179
Subordinated liabilities	34	408,645	855,678	408,645	855,678
Provisions	36	239,777	133,681	188,524	131,308
Total liabilities		**39,025,523**	**36,610,314**	**38,183,731**	**35,945,885**
EQUITY					
Share capital	37	1,200,000	1,200,000	1,200,000	1,200,000
Other equity instruments	38	238,599		238,599	
Retained earnings		3,112,004	2,721,294	2,976,706	2,641,251
Other reserves	39	280,102	262,929	279,688	262,674
Total equity		**4,830,705**	**4,184,223**	**4,694,993**	**4,103,925**
Total liabilities and equity		**43,856,228**	**40,794,537**	**42,878,724**	**40,049,810**

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

The consolidated and separate financial statements were approved by the Management Board on 23 March 2020 and were signed on its behalf by:

Mihail Ion
Vice-president & Chief Financial Officer

Roxana – Maria Apostol
Accounting Director

Consolidated and Separate Statement of Changes in Equity
for the Year Ended 31 December 2019

GROUP

IN RON THOUSAND	SHARE CAPITAL	OTHER EQUITY INSTRUMENTS	OTHER RESERVES	RETAINED EARNINGS	TOTAL
Balance at 1 January 2018	**1,200,000**	**–**	**237,829**	**2,079,505**	**3,517,334**
Net profit for the year	–	–	–	893,789	893,789
Other comprehensive income, net of income tax	–	–	25,100	–	25,100
Total comprehensive income for the period, net of income tax	**–**	**–**	**25,100**	**893,789**	**918,889**
Distribution of dividends	–	–	–	(252,000)	(252,000)
Balance at 31 December 2018	**1,200,000**	**–**	**262,929**	**2,721,294**	**4,184,223**
Balance at 1 January 2019	**1,200,000**	**–**	**262,929**	**2,721,294**	**4,184,223**
Issue Additional Tier 1 instrument (Note 43)		238,599			238,599
Net profit for the year	–	–		834,710	834,710
Other comprehensive income, net of income tax	–	–	17,173		17,173
Total comprehensive income for the period, net of income tax	**–**	**–**	**17,173**	**834,710**	**851,883**
Distribution of dividends	–	–	–	(444,000)	(444,000)
Balance at 31 December 2019	**1,200,000**	**238,599**	**280,102**	**3,112,004**	**4,830,705**

BANK

IN RON THOUSAND	SHARE CAPITAL	OTHER EQUITY INSTRUMENTS	OTHER RESERVES	RETAINED EARNINGS	TOTAL
Balance at 1 January 2018	**1,200,000**	**–**	**237,741**	**2,012,164**	**3,449,905**
Net profit for the year	–	–	–	881,087	881,087
Other comprehensive income, net of income tax	–	–	24,933	–	24,933
Total comprehensive income for the period, net of income tax	**–**	**–**	**24,933**	**881,087**	**906,020**
Distribution of dividends	–	–	–	(252,000)	(252,000)
Balance at 31 December 2018	**1,200,000**	**–**	**262,674**	**2,641,251**	**4,103,925**
Balance at 1 January 2019	**1,200,000**	**–**	**262,674**	**2,641,251**	**4,103,925**
Issue Additional Tier 1 instrument (Note 43)		238,599	–	–	238,599
Net profit for the year	–	–	–	779,455	779,455
Other comprehensive income, net of income tax	–	–	17,014	–	17,014
Total comprehensive income for the period, net of income tax	**–**	**–**	**17,014**	**779,455**	**796,469**
Distribution of dividends	–	–	–	(444,000)	(444,000)
Balance at 31 December 2019	**1,200,000**	**238,599**	**279,688**	**2,976,706**	**4,694,993**

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

Consolidated and Separate Statement of Cash Flows
for the Year Ended 31 December 2019

IN RON THOUSAND	NOTE	GROUP 2019	GROUP 2018	BANK 2019	BANK 2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit for the year		834,710	893,789	779,455	881,087
ADJUSTMENTS FOR NON-CASH ITEMS:					
Depreciation and amortization	12	230,119	117,313	228,379	115,870
Net impairment loss on financial assets (release from recoveries is not included)	14	267,836	256,640	278,625	254,582
Negative goodwill	25	(7,204)	–	–	–
Group share of gain from associates and joint ventures	25	(1,909)	(1,027)	–	–
Loss on the sale of property, plant and equipment and of intangible assets		31,397	21,475	27,040	21,310
Net charge of provisions for litigation and other provisions	11,12	96,379	10,258	94,596	10,451
Income tax expense	15,16	187,670	173,536	180,377	169,972
Net gains on non-trading financial assets mandatorily at fair value through profit or loss	26	(40,300)	38,811	(39,619)	38,481
Other fair value adjustments		17,603	(30,998()	17,603	(30,399)
Net interest income	8	(1,759,304)	(1,533,262)	(1,719,142)	(1,499,973)
Unrealized foreign exchange losses		5,178	24,238	5,178	24,327
Income from dividends	11	(1,665)	(2,014)	(7,460)	(8,373)
Operating profit before changes in operating assets and liabilities		**(139,490)**	**(108,863)**	**(154,968)**	**(99,627)**
CHANGE IN OPERATING ASSETS:					
(Increase) in trading assets and derivatives held for risk management		(103,886)	(212,747)	(104,005)	(212,151)
(Increase)/Decrease in loans and advances to banks at amortised cost		437	43,644	(3,314)	40,117
(Increase) in loans and advances to customers at amortised cost		(1,434,043)	(4,630,406)	(1,693,189)	(4,600,568)
Decrease in investment securities at fair value through profit or loss		–	1,017,856	–	1,000,267
(Increase)/Decrease in investment securities at fair value through other comprehensive income		869,654	(256,797)	885,038	(257,228)
(Increase) in investment securities at amortised cost		(2,320,982)	(1,014,854)	(2,301,547)	(1,011,026)
(Increase) in other assets		(206,938)	(38,001)	(195,015)	(28,428)
Proceeds from sale of loans	14	91,407	82,035	91,586	81,555
CHANGE IN OPERATING LIABILITIES					
(Decrease) in trading liabilities		(3,231)	(10,969)	(3,231)	(11,281)
Increase/(Decrease) in deposits from banks		(227,400)	27,386	(227,400)	27,386
Increase in deposits from customers		2,681,001	3,276,360	2,703,978	3,277,981
Increase in other liabilities		(32,263)	62,740	(34,426)	61,487
Taxation paid		(261,637)	(126,293)	(255,098)	(122,351)
Interest paid		(159,803)	(140,022)	(150,070)	(149,259)
Interest received		1,696,290	1,635,366	1,646,395	1,611,312
Cash flows from operating activities		**449,116**	**(393,565)**	**204,734**	**(391,814)**

continued on next page

Consolidated and Separate Statement of Cash Flows for the Year Ended
for the Year Ended 31 December 2019 (continued)

IN RON THOUSAND	NOTE	GROUP 2019	GROUP 2018	BANK 2019	BANK 2018
INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		375	22,962	375	19,823
Acquisition of property, plant and equipment	30	(149,447)	(58,133)	(144,122)	(56,740)
Acquisition of intangible assets	31	(140,895)	(81,844)	(139,238)	(80,536)
Acquisition of investment in subsidiaries	25	(9,471)	–	–	–
Increase in equity investments	23	–	–	(9,471)	–
Proceeds from sale of equity investments		9	–	9	–
Dividends received		1,665	2,014	7,460	8,403
Cash flows used in investing activities		**(297,764)**	**(115,001)**	**(284,987)**	**(109,050)**
FINANCING ACTIVITIES					
Cash from loans from banks		191,172	116,598	191,172	116,598
Repayment of loans from banks		(297,023)	(122,083)	(66,092)	(132,395)
Proceeds from debt securities issued		480,617	–	480,617	–
Repayment of debt securities		(512,458)	–	(516,179)	–
Repayments of subordinated liabilities		(640,287)	(116,598)	(640,287)	(116,598)
Proceeds from issue of additional Tier I instrument	43	238,599	–	238,599	–
Dividends paid	37	(444,000)	(252,000)	(444,000)	(252,000)
Repayment of principal portion of lease liability	36	(92,181)	–	(92,181)	–
Cash flow from financing activities		**(1,075,561)**	**(374,083)**	**(848,351)**	**(384,395)**
Net (decrease) in cash and cash equivalents		(924,209)	(882,649)	(928,604)	(885,259)
Cash and cash equivalents at 1 January		**7,633,895**	**8,516,544**	**7,631,159**	**8,516,418**
Cash and cash equivalents at 31 December		**6,709,686**	**7,633,895**	**6,702,555**	**7,631,159**

ANALYSIS OF CASH AND CASH EQUIVALENTS

IN RON THOUSAND	NOTE	GROUP 2019	GROUP 2018	BANK 2019	BANK 2018
CASH AND CASH EQUIVALENTS COMPRISE:					
Cash on hand	17	2,701,387	4,235,697	2,700,563	4,235,689
Cash with Central Bank	17	3,805,493	2,961,533	3,805,493	2,961,533
		6,506,880	**7,197,230**	**6,506,056**	**7,197,222**
Loans and advances to banks – less than 3 months		202,806	436,665	196,499	433,937
Cash and cash equivalents in the cash flow statement		**6,709,686**	**7,633,895**	**6,702,555**	**7,631,159**

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

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2019

1. REPORTING ENTITY

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

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

The consolidated and separate financial statements of the Bank for the year ended 31 December 2019 comprise the Bank and its subsidiaries (together referred to as the "Group").

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

The main activity of the Bank is to provide day-to-day banking services to corporate and individual clients. These include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium term facilities, bank guarantees and letters of credit. The Group also provides financial leasing services, loan services in locative system and asset management services. The Group operates through the Head Office located in Bucharest and through its network of 351 branches as at 31.12.2019 (2018: 419 branches).

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

The members of the Supervisory Board as of December 31, 2019 are as follows:
- Johann Strobl – Chairman
- Martin Grüll – Deputy Chairman
- Andreas Gschwenter – Member
- Hannes Mösenbacher – Member
- Peter Lennkh – Member
- Ileana Anca Ioan – Independent Member
- Ana Maria Mihăescu – Independent Member
- Lukasz Janusz Januszewski – Member
- Andrii Stepanenko – Member

The structure of the Management Board as of December 31, 2019 is as follows:
- Steven van Groningen – President;
- Cristian Sporiș – Vice-president, coordinating the Corporate Division;
- James D. Stewart. Jr. – Vice-president, coordinating the Treasury and Capital Markets Division;
- Bogdan Popa – Vice-president, coordinating the Operations and IT Division;
- Vladimir Kalinov – Vice-president, coordinating the Retail Division;
- Mircea Busuioceanu – Vice-president, coordinating the Risk Division;
- Mihail Ion – Vice-president, coordinating the Accounting and Financial Controlling Division.

2. BASIS OF PREPARATION

a) Statement of compliance

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

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

The non – banking subsidiaries, associates and joint ventures prepare financial statements in accordance with the Romanian accounting law and the National Bank of Romania banking regulations ("statutory accounts") except for ICS Raiffeisen Leasing S.R.L which prepares financial statements in accordance with the Moldavian accounting law.

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

In these financial statements, the Group has applied IFRS 16 "Leases" and IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard and interpretation are described below.

Several other amendments apply for the first time in 2019, but do not have an impact on the Group's financial statements, such as: IFRS 9 "Prepayment features with negative compensation (Amendment)", IAS 28 "Long-term Interests in Associates and Joint Ventures (Amendments)", IAS 19 "Plan Amendment, Curtailment or Settlement (Amendments)", "Annual Improvements to IFRSs 2015 – 2017 Cycle".

IFRS 16 "Leases" supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions.

Lessor accounting is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

(i) IFRS 16 – nature and effect of changes
The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as lease applying IAS 17 and IFRIC 4 at the date of initial application.

The Group did not previously have leases classified as finance leases.

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or operating lease. Refer to note 3 h) Lease payments for the accounting policy prior to 1 January 2019.

The Group has lease contracts for various branches. The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, with the exception of short-term leases and lease of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months to the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use at the date of initial application;
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019 the Group recognised:
- Right-of-use assets of RON 408,866 thousand were recognised and presented in the statement of financial position;
- Lease liabilities of RON 392,155 thousand were recognised and presented in the statement of financial position;
- The adoption of IFRS 16 had no impact on the Group's retained earnings and no impact on its CET1.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

IN RON THOUSAND	GROUP	BANK
Operating lease commitments as at 31 December 2018	447,127	437,768
Weighted average incremental borrowing rate as at 1 January 2019	0.97%	0.97%
Discounted operating lease commitments as at 1 January 2019	400,539	392,155
Commitments related to short-term leases	(8,384)	–
Lease liabilities as at 1 January 2019	392,155	392,155

(ii) IFRIC 23 – nature and effect of changes
IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 "Income taxes". It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements related to interest and penalties associated with uncertain tax treatments.

Since the Group operates in a complex environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adopting the Interpretation, the Group considered whether it has any uncertain tax position.

In determining whether there is uncertainty over income tax treatments, judgment has been made regarding:
- The result of the previous tax inspections and the approach of the authorities regarding the treatment applied on certain transactions;
- Public information regarding the way in which tax disputes were solved in court;
- The amount of interpretation required for understanding the tax legislation;
- External opinions from advisors regarding the tax treatment of certain transactions.

The Group has considered the uncertain tax treatments separately and uses this approach as it better predicts the resolution of the uncertainty.

When determining the effect of uncertainty for the uncertain tax treatments, the Group used the expected value, which is the sum of the probability-weighted amounts in a range of possible outcomes. The expected value better predicts the resolution of the uncertainty as there is a range of possible scenarios. The impact form application of IFRIC 23 is presented within Note 28.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

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

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

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

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

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

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

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

(iii) Associates
The Bank holds an investment of 33.33% (2018: 33.33%) in Fondul de Garantare a Creditului Rural – IFN S.A. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

The Group accounts proportionately for the share of gain or loss from its associates in accordance to IFRS 11 "Investments in Associates". The consolidated financial statements include the Group's share of the total recognized gains and losses of associates and joint ventures on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases (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.

b) Foreign Currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated to RON at the official exchange rates from the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign exchange gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during

the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on settlement are recognized in profit or loss, except for differences arising from the equity instruments measured at fair value through other comprehensive income.

(ii) Foreign operations
A foreign operation is the one whose activities are based in a country other than that of the reporting entity or whose activities are denominated in the different currency than the one of the reporting entity.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RON at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RON at the exchange rates at the date of the transactions.

Foreign currency differences on the translation of foreign operations are recognized directly in equity. When a foreign operation is disposed of, in part or in full, the relevant amount of the foreign currency translation reserve is transferred to profit or loss.

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, financial instruments designated at FVPL 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

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

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

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

e) Net trading income

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

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

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

g) Dividends

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

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

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

h) Lease payments

Policy applicable before 1 January 2019
Payments made under operating leases are recognized in the consolidated and separate statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the consolidated and separate statement of comprehensive income as an integral part of the total lease expense. Operating lease expense is reflected as a component of operating expense.

Minimum lease payments made under financial leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability.

Policy applicable as of 1 January 2019
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Short term leases are those which have, at the commencement date, a lease term of 12 months or less. Leases of low-value assets are those for which the underlying asset, when new, is of low value, the threshold chosen in this respect being EUR 5,000. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

i) Income tax

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

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

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

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

j) Financial instruments

(i) Classification

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

The main classification categories for financial assets are:

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

a. Amortised cost

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

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

b. FVOCI

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

c. FVTPL

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

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

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

d. FVOCI Election for Equity Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Three business models are allowed under IFRS 9:

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

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

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

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

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

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

Examples of such a business model, given by IFRS 9, include:
- a financial institution holding financial assets to meet its everyday liquidity needs;
- an entity investing excess cash in short/long term instruments to hold but to sell when it has the need for capital expenditure;
- maintaining a particular interest yield profile.

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

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

c. Other
The objective of the business model is considered 'other' when it does not fall into one of the previous two categories discussed above. This would be the case where:
- a portfolio of financial assets is managed with the objective of realising cash flows through the sale of the financial assets in order to realise fair value changes arising from changes in credit spreads and yield curves. This results in active buying and selling and managing the instruments to realise fair value gains rather than to collect the contractual cash flows;
- a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis;
- a portfolio of financial assets meets the definition of held for trading;

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

(iii) The SPPI test
As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test. For this purpose, the contractual interest is defined as consideration for:
- time value of money;
- credit risk associated with the principal amount outstanding;
- other basic lending risks (for example liquidity);
- costs (for example administrative) and
- profit margin.

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

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

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

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

(iv) Financial assets and liabilities

Loans and advances to banks, loans and advances to customers, financial investments at amortised cost
The Bank only measures loans to banks, loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

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

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

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

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

Debt instruments at FVOCI
The Bank measures debt instruments at FVOCI when both of the following conditions are met:
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

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

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

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

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

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

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

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

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

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

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

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

(v) Recognition

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

Initial recognition date is important given that:

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

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

(vi) Derecognition

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

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

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

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

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

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

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

(vii) Offsetting

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

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

(viii) Fair value measurement

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

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

(ix) Identification and measurement of impairment

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

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

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

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

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

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The bank records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit losses these are:
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses;
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

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

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

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 12month 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.

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

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

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

The mechanics of the ECL method are summarised below:
- Stage 1: The 12mECL represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the multiple scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.
- Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.
- Financial guarantee contracts: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

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

profit or loss. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

Purchased or originated credit impaired financial assets (POCI)
For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

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

- *Quantitative Criteria*

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

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

- *Qualitative Criteria*

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

For sovereign, bank, corporate and project finance portfolios, if the borrower meets one or more of the following criteria:
– External market indicators
– Changes in contract terms
– Changes to management approach
– Expert judgement

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

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
During the financial year 2019, the Group has adjusted its default definition in order to comply with the guidelines on the definition of default published by the European Banking Authority (EBA/GL/2016/07). The new definition of default leads to material changes to the IRB approach, which forces banks to adjust their models. These adjustments were approved by the competent regulators prior to implementation (Delegated Regulation EU 529/2014).

The main changes brought by the new definition of default are:
– cross default due to contamination effect;
– longer probation periods;
– abolition of the absorption status, which prevented the accounts from exiting default status if they have ever reached more than 180 days past due.

The effects of these changes are stage redistribution (in particular the change in Stage 3 volumes) and adjustments of the Stage 1 and 2 models as a result of the new default rates. In accordance with IAS 8, this represents a change of estimate which must be applied in the future and thus fully recognized in profit or loss.

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;
  - An active market for that financial asset has disappeared because of financial difficulties;
  - Concessions have been made by the lender relating to the borrower's financial difficulty;
  - It is becoming probable that the borrower will enter bankruptcy;
  - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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

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

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.

Sensitivity analysis
The most significant assumptions affecting the expected credit loss allowance are as follows:
- Corporate portfolios
  - Gross domestic product
  - Unemployment rate.
- Retail portfolios
  - Gross domestic product
  - Exchange rate EUR/RON
  - ROBOR 3M
  - Unemployment rate.

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

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

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

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

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

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

k) Hedge Accounting

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

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

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

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

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

Hedge accounting ceases prospectively when any of the following events occur:
- the hedge no longer meets the hedge accounting criteria (for example it is no longer highly effective or its effectiveness is no longer measurable);
- the hedged item is sold or settled;
- the hedging instrument expires or is sold, terminated or exercised;
- the management decides to revoke the designation;

If a hedging relationship no longer meets the hedge effectiveness criteria or fails the materiality threshold mentioned above, hedge accounting ceases from the last date on which the hedge was considered to be effective, which will be the beginning of the period in which the hedge ceased to meet the effectiveness criteria or exceeded the materiality threshold.
If the entity determines that a certain event, change in circumstances/market disruption caused the hedging relationship to fail the effectiveness tests and demonstrates that the hedge was effective before the event or change in circumstances occurred, hedge accounting ceases from the date of the event or change in circumstances.

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

l) Cash and cash equivalents

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

m) Property, plant and equipment

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

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.

o) Leased assets

Policy applicable before 1 January 2019
Lessee: Leases in terms of which the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the

minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and are not recognized in the Group's statement of financial position.

Policy applicable as of 1 January 2019
Lessee: The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial indirect costs incurred and lease payments made at or before the commencement date less any incentives received. Right-of-use assets are depreciated on a straight line basis over the lease term.
The right-of-use assets are presented within note 30 and are subject to impairment in line with Group's policy as described in note 3 p) Impairment of non-financial assets.

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

p) Impairment of non-financial assets

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

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

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

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

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

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

q) Inventory

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

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

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

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

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

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

s) Employee benefits

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

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

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

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

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

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

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

Share-based payment transactions
The fair value of the amount payable to employees in respect of share appreciation rights that are settled in cash is recognized as an expense with a corresponding increase in liabilities over the period in which the employees unconditionally become entitled to payment. The liability is measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

t) Business combination

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

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

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

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

u) Provisions

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

v) Taxes

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

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

w) Segment reporting

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

An operating segment is a component of the Group:
a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group)
b. whose operating results are regularly reviewed by the entity's chief operating decision maker to take decisions about resources to be allocated to the segment and assess its performance, and
c. for which discrete financial information is available. Segment reporting is based on the following business lines of the Group: corporate, individuals, small and medium entities (referred to as "SME") and treasury, the latter including financial institutions.

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

Standards issued but not yet effective and not early adopted:

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

• *Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

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

• IFRS 3: Business Combinations (Amendments)
The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU.

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

• Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)
The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management has assessed that the uncertainty arising from IBOR reform is not affecting its hedge relationship to the extent that the hedge relationships need to be discontinued.

• IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)
The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU.

5. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

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

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

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

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

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

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

b) Credit risk

i) Credit risk management

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

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

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.
- 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:

	GROUP	GROUP
IN RON THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
RETAIL CUSTOMERS, OF WHICH:		
Personal loan	6,528,980	5,905,944
Mortgage	5,937,144	4,992,691
Consumer loans guaranteed with mortgage	1,219,920	1,304,834
Credit card	1,016,285	938,563
Overdraft	540,978	547,478
Investment financing	1,537,196	1,339,070
NON-RETAIL CUSTOMERS, OF WHICH:		
Corporate lending	7,237,697	7,054,594
Project finance	1,850,898	1,828,799
Financial institution non-bank	877,811	1,620,260
Small business (SMB)	1,345,303	1,273,304
Public sector	588,473	312,883
Sovereign	40,495	29,648
Total gross exposure	**28,721,180**	**27,148,068**
Specific impairment allowance	(1,127,546)	(1,003,708)
Total loans and advances to customers at amortised cost	**27,593,634**	**26,144,360**

IN RON THOUSAND	BANK 31 DECEMBER 2019	BANK 31 DECEMBER 2018
RETAIL CUSTOMERS, OF WHICH:		
Personal loan	6,528,980	5,905,944
Mortgage	5,871,926	4,992,691
Consumer loans guaranteed with mortgage	1,219,920	1,304,834
Credit Card	1,016,285	938,563
Overdraft	540,978	547,478
Investment financing	1,089,580	962,314
NON-RETAIL CUSTOMERS, OF WHICH:		
Corporate lending	7,318,194	6,832,671
Project finance	1,850,898	1,828,799
Financial institution non-bank	862,557	1,620,260
Small business (SMB)	1,126,407	1,086,386
Public sector	588,473	312,883
Sovereign	40,495	29,648
Total gross exposure	**28,054,693**	**26,362,471**
Specific impairment allowance	(1,093,279)	(972,502)
Total loans and advances to customers at amortised cost	**26,961,414**	**25,389,969**

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

GROUP

							31 DECEMBER 2019
IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST							
NON-RETAIL:	**10,312,855**	**1,277,713**	**–**	**350,109**	**41,374**	**51,597**	**11,940,677**
Corporate lending	6,734,991	268,483	–	234,223	–	45,184	7,237,697
Project finance	1,585,732	196,526	–	68,640	41,374	–	1,850,898
Financial institution non-bank	786,155	90,166	–	1,490	–	–	877,811
Small and medium business	1,118,517	181,030	–	45,756	–	6,413	1,345,303
Public sector	46,965	541,508	–	–	–	–	588,473
Sovereign	40,495	–	–	–	–	–	40,495
RETAIL:	**13,835,868**	**2,086,876**	**857,759**	**–**	**147,901**	**77,800**	**16,780,503**
Personal loan	5,827,019	365,525	336,436	–	1,088	1,170	6,528,980
Mortgage	5,168,372	614,829	153,943	–	45,424	20,279	5,937,144
Micro	1,279,292	150,004	107,900	–	35	1,746	1,537,196
Consumer loans guaranteed with mortgage	467,363	524,895	227,662	–	100,843	51,199	1,219,920
Credit card	847,535	145,254	23,496	–	448	3,406	1,016,285
Overdraft	246,287	286,369	8,322	–	63	–	540,978
Total gross exposure	**24,148,723**	**3,364,589**	**857,759**	**350,109**	**189,275**	**129,397**	**28,721,180**
Impairment allowance	(133,731)	(179,537)	(578,979)	(235,299)	(3,693)	(86,321)	(1,127,546)
NET EXPOSURE	**24,014,992**	**3,185,052**	**278,780**	**114,810**	**185,582**	**43,076**	**27,593,634**

GROUP

							31 DECEMBER 2018
IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST							
NON-RETAIL:	**11,093,711**	**607,233**	**–**	**418,544**	**42,913**	**83,371**	**12,119,488**
Corporate lending	6,538,156	205,782	–	310,656	–	78,139	7,054,594
Project finance	1,706,997	60,619	–	61,183	42,913	–	1,828,799
Financial institution non-bank	1,510,261	109,999	–	–	–	–	1,620,260
Small and medium business	1,061,385	165,214	–	46,705	–	5,232	1,273,304
Public sector	271,256	41,627	–	–	–	–	312,883
Sovereign	5,656	23,992	–	–	–	–	29,648
RETAIL:	**12,328,789**	**1,980,575**	**719,216**	**–**	**95,961**	**115,598**	**15,028,580**
Personal loan	5,255,106	482,675	168,163	–	2,363	960	5,905,944
Mortgage	4,273,648	547,884	171,159	–	29,741	33,204	4,992,691
Micro	1,078,196	186,779	74,095	–	215	1,627	1,339,070
Consumer loans guaranteed with mortgage	526,086	488,337	290,411	–	63,322	78,005	1,304,834
Credit card	833,660	96,719	8,184	–	161	1,790	938,563
Overdraft	362,093	178,181	7,204	–	159	12	547,478
Total gross exposure	**23,422,500**	**2,587,808**	**719,216**	**418,544**	**138,874**	**198,969**	**27,148,068**
Impairment allowance	(90,465)	(213,032)	(430,330)	(269,881)	(6,696)	(83,270)	(1,003,708)
NET EXPOSURE	**23,332,035**	**2,374,776**	**288,886**	**148,663**	**132,178**	**115,699**	**26,144,360**

BANK

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
							31 DECEMBER 2019
LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST							
NON-RETAIL:	**10,226,466**	**1,231,384**	**–**	**329,174**	**41,374**	**51,597**	**11,787,024**
Corporate lending	6,838,996	256,633	–	222,565	–	45,184	7,318,194
Project finance	1,585,732	196,526	–	68,640	41,374	–	1,850,898
Financial institution non-bank	770,901	90,166	–	1,490	–	–	862,557
Small and medium business	943,377	146,551	–	36,479	–	6,413	1,126,407
Public sector	46,965	541,508	–	–	–	–	588,473
Sovereign	40,495	–	–	–	–	–	40,495
RETAIL:	**13,362,429**	**2,083,355**	**821,885**	**–**	**147,901**	**77,800**	**16,267,669**
Personal loans	5,827,019	365,525	336,436	–	1,088	1,170	6,528,980
Mortgage	5,106,448	613,767	151,711	–	45,424	20,279	5,871,926
Micro	867,777	147,545	74,258	–	35	1,746	1,089,580
Consumer loan guaranteed with mortgage	467,363	524,895	227,662	–	100,843	51,199	1,219,920
Credit card	847,535	145,254	23,496	–	448	3,406	1,016,285
Overdraft	246,287	286,369	8,322	–	63	–	540,978
Total gross exposure	**23,588,895**	**3,314,739**	**821,885**	**329,174**	**189,275**	**129,397**	**28,054,693**
Impairment allowance	(129,048)	(178,950)	(566,250)	(219,031)	(3,693)	(86,321)	(1,093,279)
NET EXPOSURE	**23,459,847**	**3,135,789**	**255,635**	**110,143**	**185,582**	**43,076**	**26,961,414**

BANK

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
							31 DECEMBER 2018
LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST							
NON-RETAIL:	**10,760,997**	**556,846**	**–**	**392,804**	**42,913**	**83,371**	**11,710,647**
Corporate lending	6,352,137	188,294	–	292,240	–	78,139	6,832,671
Project finance	1,706,997	60,619	–	61,183	42,913	–	1,828,799
Financial institution non-bank	1,510,261	109,999	–	–	–	–	1,620,260
Small and medium business	914,690	132,315	–	39,381	–	5,232	1,086,386
Public sector	271,256	41,627	–	–	–	–	312,883
Sovereign	5,656	23,992	–	–	–	–	29,648
RETAIL:	**11,969,993**	**1,974,962**	**706,869**	**–**	**95,961**	**115,598**	**14,651,824**
Personal loans	5,255,106	482,675	168,163	–	2,363	960	5,905,944
Mortgage	4,273,648	547,884	171,159	–	29,741	33,204	4,992,691
Micro	719,400	181,166	61,748	–	215	1,627	962,314
Consumer loan guaranteed with mortgage	526,086	488,337	290,411	–	63,322	78,005	1,304,834
Credit card	833,660	96,719	8,184	–	161	1,790	938,563
Overdraft	362,093	178,181	7,204	–	159	12	547,478
Total gross exposure	22,730,990	2,531,808	706,869	392,804	138,874	198,969	26,362,471
Impairment allowance	(84,898)	(211,936)	(430,330)	(245,338)	(6,696)	(83,270)	(972,502)
NET EXPOSURE	**22,646,092**	**2,319,872**	**276,539**	**147,466**	**132,178**	**115,699**	**25,389,969**

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 2019
INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OUT OF WHICH POCI STAGE 2	OUT OF WHICH POCI STAGE 3	TOTAL
Minimal Risk	2,759,780	47,951	–	766	–	2,807,731
Excellent Credit Standing	1,285,504	59,029	–	5,300	–	1,344,533
Very Good Credit Standing	2,922,568	265,171	–	25,180	–	3,187,739
Good Credit Standing	2,433,354	127,968	–	1,367	–	2,561,322
Sound Credit Standing	2,222,550	448,141	–	42,711	–	2,670,691
Acceptable Credit Standing	929,405	451,290	–	42,705	–	1,380,695
Marginal Credit Standing	566,049	351,349	–	24,751	–	917,398
Weak Credit Standing	152,418	119,906	–	89	–	272,324
Very Weak Credit Standing	11,962	180,495	–	5,016	–	192,457
Default	–	–	853,952	–	77,800	853,952
Not Rated	552,278	35,576	3,807	16	–	591,661
Total	**13,835,868**	**2,086,876**	**857,759**	**147,901**	**77,800**	**16,780,503**

GROUP

IN RON THOUSAND						31 DECEMBER 2018
INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OUT OF WHICH POCI STAGE 2	OUT OF WHICH POCI STAGE 3	TOTAL
Minimal Risk	2,938,173	65,634	–	1,225	–	3,003,807
Excellent Credit Standing	1,084,144	55,169	–	4,782	–	1,139,313
Very Good Credit Standing	3,610,045	153,022	–	13,455	–	3,763,067
Good Credit Standing	1,761,402	80,003	–	339	–	1,841,405
Sound Credit Standing	1,487,909	357,018	–	17,646	–	1,844,927
Acceptable Credit Standing	681,347	219,070	–	6,474	–	900,417
Marginal Credit Standing	262,056	564,556	–	31,926	–	826,612
Weak Credit Standing	56,048	210,347	–	9,318	–	266,395
Very Weak Credit Standing	7,375	233,515	–	10,268	–	240,890
Default	–	–	719,216	–	115,598	719,216
Not Rated	440,290	42,241	–	528	–	482,531
Total	**12,328,789**	**1,980,575**	**719,216**	**95,961**	**115,598**	**15,028,580**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2019

BANK

IN RON THOUSAND						31 DECEMBER 2019
INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OUT OF WHICH POCI STAGE 2	OUT OF WHICH POCI STAGE 3	TOTAL
Minimal Risk	2,759,780	47,951	–	766	–	2,807,731
Excellent Credit Standing	1,285,504	59,029	–	5,300	–	1,344,533
Very Good Credit Standing	2,922,568	265,171	–	25,180	–	3,187,739
Good Credit Standing	2,432,548	127,968	–	1,367	–	2,560,516
Sound Credit Standing	2,222,550	448,141	–	42,711	–	2,670,691
Acceptable Credit Standing	929,405	451,290	–	42,705	–	1,380,695
Marginal Credit Standing	566,049	351,349	–	24,751	–	917,398
Weak Credit Standing	152,320	119,906	–	89	–	272,226
Very Weak Credit Standing	11,962	180,495	–	5,016	–	192,457
Default	–	–	820,310	–	77,800	820,310
Not Rated	79,743	32,055	1,575	16	–	113,373
Total	**13,362,429**	**2,083,355**	**821,885**	**147,901**	**77,800**	**16,267,669**

BANK

IN RON THOUSAND						31 DECEMBER 2018
INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OUT OF WHICH POCI STAGE 2	OUT OF WHICH POCI STAGE 3	TOTAL
Minimal Risk	2,938,173	65,634	–	1,225	–	3,003,807
Excellent Credit Standing	1,084,144	55,169	–	4,782	–	1,139,313
Very Good Credit Standing	3,610,045	153,022	–	13,455	–	3,763,067
Good Credit Standing	1,761,218	80,003	–	339	–	1,841,221
Sound Credit Standing	1,487,909	357,018	–	17,646	–	1,844,927
Acceptable Credit Standing	681,347	219,070	–	6,474	–	900,417
Marginal Credit Standing	262,056	564,556	–	31,926	–	826,612
Weak Credit Standing	56,048	210,347	–	9,318	–	266,395
Very Weak Credit Standing	7,375	233,515	–	10,268	–	240,890
Default	–	–	706,869	–	115,598	706,869
Not Rated	81,678	36,628	–	528	–	118,306
Total	**11,969,993**	**1,974,962**	**706,869**	**95,961**	**115,598**	**14,651,824**

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 2019
INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OUT OF WHICH POCI STAGE 2	OUT OF WHICH POCI STAGE 3	TOTAL
Excellent	43,434	108	–	–	–	43,542
Strong	861,507	95,099	–	–	–	956,606
Good	4,710,490	630,694	–	–	–	5,341,184
Satisfactory	4,656,749	500,243	–	41,374	–	5,156,992
Substandard	22,033	45,678	–	–	–	67,711
Impaired	–	–	348,307	–	51,597	348,307
Unrated	18,642	5,891	1,802	–	–	26,335
Total	**10,312,855**	**1,277,713**	**350,109**	**41,374**	**51,597**	**11,940,677**

GROUP

IN RON THOUSAND						31 DECEMBER 2018
INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OUT OF WHICH POCI STAGE 2	OUT OF WHICH POCI STAGE 3	TOTAL
Excellent	18,216	–	–	–	–	18,216
Strong	1,439,277	133,990	–	–	–	1,573,267
Good	4,731,948	81,722	–	–	–	4,813,670
Satisfactory	4,698,669	229,445	–	42,913	–	4,928,114
Substandard	88,374	147,789	–	–	–	236,163
Impaired	–	–	417,637	–	83,371	417,637
Unrated	117,227	14,287	907	–	–	132,421
Total	**11,093,711**	**607,233**	**418,544**	**42,913**	**83,371**	**12,119,488**

BANK

IN RON THOUSAND						31 DECEMBER 2019
INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OUT OF WHICH POCI STAGE 2	OUT OF WHICH POCI STAGE 3	TOTAL
Excellent	43,433	108	–	–	–	43,541
Strong	1,292,542	93,820	–	–	–	1,386,362
Good	4,547,735	619,362	–	–	–	5,167,097
Satisfactory	4,325,441	479,323	–	41,374	–	4,804,764
Substandard	16,707	37,825	–	–	–	54,532
Impaired	–	–	327,667	–	51,597	327,667
Unrated	608	946	1,507	–	–	3,061
Total	**10,226,466**	**1,231,384**	**329,174**	**41,374**	**51,597**	**11,787,024**

BANK

IN RON THOUSAND						31 DECEMBER 2018
INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OUT OF WHICH POCI STAGE 2	OUT OF WHICH POCI STAGE 3	TOTAL
Excellent	18,215	–	–	–	–	18,215
Strong	1,610,703	133,991	–	–	–	1,744,694
Good	4,555,071	78,268	–	–	–	4,633,339
Satisfactory	4,401,134	211,264	–	42,913	–	4,612,398
Substandard	58,685	130,442	–	–	–	189,127
Impaired	–	–	392,639	–	83,371	392,639
Unrated	117,189	2,881	165	–	–	120,235
Total	**10,760,997**	**556,846**	**392,804**	**42,913**	**83,371**	**11,710,647**

At Group level, loans and advances to banks in amount of RON 207,307 thousand (31 December 2018: RON 437,854 thousand), as well as investment securities at fair value through other comprehensive income in amount of RON 2,398,161 thousand (31 December 2018: RON 3,204,307 thousand) and investment securities at amortised cost in amount RON 4,952,776 thousand (31 December 2018: RON 2,333,367 thousand), are all classified in Stage 1.

At Bank level, loans and advances to banks in amount of RON 201,002 thousand (31 December 2018: RON 435,126 thousand), as well as investment securities at fair value through other comprehensive income in amount of RON 2,326,371 thousand (31 December 2018: RON 3,204,307 thousand), and investment securities at amortised cost in amount RON 4,674,232 thousand (31 December 2018: RON 2,308,071 thousand), are all classified in Stage 1.

Loans and advances to banks as of 31 December, 2019 mainly represent balances 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.

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

GROUP

						31 DECEMBER 2019
IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED ELCS
NON-RETAIL						
Corporate lending	7,237,697	2,068,528	(495,687)	1,572,841	5,664,856	192,441
Project finance	1,850,898	1,587,926	(324,936)	1,262,990	587,908	57,638
Financial institution non-bank	877,811	–	–	–	877,811	1,803
Small and medium business	1,345,303	655,975	(225,786)	430,189	915,114	35,941
Public sector	588,473	–	–	–	588,473	6,236
Sovereign	40,495	–	(7)	(7)	40,502	2
Total Non-retail	**11,940,677**	**4,312,429**	**(1,046,416)**	**3,266,013**	**8,674,664**	**294,061**
RETAIL						
Personal loans	6,528,980	803	(678)	125	6,528,855	375,412
Mortgage	5,937,144	4,942,956	(892,386)	4,050,570	1,886,574	152,999
Micro	1,537,196	587,159	(261,377)	325,782	1,211,414	80,338
Consumer loan guaranteed with mortgage	1,219,920	1,533,065	(644,156)	888,909	331,011	178,449
Credit card	1,016,285	–	(145)	(145)	1,016,430	23,332
Overdraft	540,978	–	(3,490)	(3,490)	544,468	22,955
Total Retail	**16,780,503**	**7,063,983**	**(1,802,232)**	**5,261,751**	**11,518,752**	**833,485**
Financial assets at fair value through profit or loss	**364,469**	**282,060**	**(60,329)**	**221,731**	**142,738**	**20,844**

GROUP

	31 DECEMBER 2018					
IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED ELCS
NON-RETAIL						
Corporate lending	7,054,594	1,859,539	(409,830)	1,449,709	5,604,885	233,808
Project finance	1,828,799	1,663,851	(591,674)	1,072,177	756,622	45,114
Financial institution non-bank	1,620,260	–	–	–	1,620,260	452
Small and medium business	1,273,304	598,181	(194,200)	403,981	869,323	33,990
Public sector	312,883	–	–	–	312,883	752
Sovereign	29,648	–	–	–	29,648	1
Total Non-retail	**12,119,488**	**4,121,571**	**(1,195,704)**	**2,925,867**	**9,193,621**	**314,117**
RETAIL						
Personal loans	5,905,944	492	(454)	38	5,905,906	240,426
Mortgage	4,992,691	3,547,857	(488,369)	3,059,488	1,933,203	148,592
Micro	1,339,070	568,155	(257,338)	310,817	1,028,253	78,295
Consumer loan guaranteed with mortgage	1,304,834	1,539,392	(587,941)	951,451	353,383	183,230
Credit card	938,563	–	(83)	(83)	938,646	17,686
Overdraft	547,478	–	(2,913)	(2,913)	550,391	21,362
Total Retail	**15,028,580**	**5,655,896**	**(1,337,098)**	**4,318,798**	**10,709,782**	**689,591**
Financial assets at fair value through profit or loss	**438,603**	**279,700**	**(49,182)**	**230,518**	**208,085**	**58,375**

BANK

IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED ELCS
						31 DECEMBER 2019
NON-RETAIL						
Corporate lending	7,318,194	2,019,370	(495,687)	1,523,683	5,794,511	179,559
Project finance	1,850,898	1,587,926	(324,936)	1,262,990	587,908	57,638
Financial institution non-bank	862,557	–	–	–	862,557	1,803
Small and medium business	1,126,407	654,375	(225,786)	428,589	697,818	30,639
Public sector	588,473	–	–	–	588,473	6,236
Sovereign	40,495	–	(7)	(7)	40,502	2
Total Non-retail	**11,787,024**	**4,261,671**	**(1,046,416)**	**3,215,255**	**8,571,769**	**275,877**
RETAIL						
Personal loans	6,528,980	803	(678)	125	6,528,855	375,412
Mortgage	5,871,926	4,784,755	(729,929)	4,054,826	1,817,100	150,885
Micro	1,089,580	587,159	(261,377)	325,782	763,798	66,369
Consumer loan guaranteed with mortgage	1,219,920	1,533,065	(644,156)	888,909	331,011	178,449
Credit card	1,016,285	–	(145)	(145)	1,016,430	23,332
Overdraft	540,978	–	(3,490)	(3,490)	544,468	22,955
Total Retail	**16,267,669**	**6,905,782**	**(1,639,775)**	**5,266,007**	**11,001,662**	**817,402**
Financial assets at fair value through profit or loss	**364,469**	**282,060**	**(60,329)**	**221,731**	**142,738**	**20,844**

BANK

IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED ELCS
						31 DECEMBER 2018
NON-RETAIL						
Corporate lending	6,832,671	1,799,208	(409,830)	1,389,378	5,443,293	215,593
Project finance	1,828,799	1,663,851	(591,674)	1,072,177	756,622	45,114
Financial institution non-bank	1,620,260	–	–	–	1,620,260	452
Small and medium business	1,086,386	596,273	(194,200)	402,073	684,313	29,936
Public sector	312,883	–	–	–	312,883	752
Sovereign	29,648	–	–	–	29,648	1
Total Non-retail	**11,710,647**	**4,059,332**	**(1,195,704)**	**2,863,628**	**8,847,019**	**291,848**
RETAIL						
Personal loans	5,905,944	492	(454)	38	5,905,906	240,426
Mortgage	4,992,691	3,547,857	(488,369)	3,059,488	1,933,203	148,592
Micro	962,314	568,155	(257,338)	310,817	651,497	69,358
Consumer loan guaranteed with mortgage	1,304,834	1,539,392	(587,941)	951,451	353,383	183,230
Credit card	938,563	–	(83)	(83)	938,646	17,686
Overdraft	547,478	–	(2,913)	(2,913)	550,391	21,362
Total Retail	**14,651,824**	**5,655,896**	**(1,337,098)**	**4,318,798**	**10,333,026**	**680,654**
Financial assets at fair value through profit or loss	**426,883**	**279,700**	**(49,182)**	**230,518**	**196,365**	**58,375**

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets:

GROUP

						31 DECEMBER 2019
IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED ELCS
NON-RETAIL						
Corporate lending	234,223	46,077	(3,261)	42,816	191,407	154,555
Project finance	68,640	9,815	–	9,815	58,825	48,948
Financial institution non-bank	1,490	–	–	–	1,490	1,489
Small and medium business	45,756	9,301	(2,233)	7,068	38,688	30,307
Public sector	–	–	–	–	–	–
Sovereign	–	–	–	–	–	–
Total Non-retail	**350,109**	**65,193**	**(5,494)**	**59,699**	**290,410**	**235,299**
RETAIL						
Personal loans	336,436	236	(226)	10	336,426	255,792
Mortgage	153,943	117,448	(22,313)	95,135	58,808	90,854
Micro	107,900	42,638	(21,611)	21,027	86,873	66,194
Consumer loan guaranteed with mortgage	227,662	214,169	(69,822)	144,347	83,315	140,335
Credit card	23,496	–	–	–	23,496	15,691
Overdraft	8,322	–	(3,490)	(3,490)	11,812	10,113
Total Retail	**857,759**	**374,491**	**(117,462)**	**257,029**	**600,730**	**578,979**

GROUP

	31 DECEMBER 2018					
IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED ELCS
NON-RETAIL						
Corporate lending	310,656	84,891	(6,963)	77,928	232,728	202,177
Project finance	61,183	21,192	–	21,192	39,991	39,990
Financial institution non-bank	–	–	–	–	–	–
Small and medium business	46,705	10,396	(1,116)	9,280	37,425	27,714
Public sector	–	–	–	–	–	–
Sovereign	–	–	–	–	–	–
Total Non-retail	**418,544**	**116,479**	**(8,079)**	**108,400**	**310,144**	**269,881**
RETAIL						
Personal loans	168,163	235	(234)	1	168,162	142,270
Mortgage	171,159	122,986	(13,932)	109,054	62,105	86,504
Micro	74,095	36,946	(16,270)	20,676	53,419	57,622
Consumer loan guaranteed with mortgage	290,411	254,670	(54,228)	200,442	89,969	131,301
Credit card	8,184	–	–	–	8,184	5,958
Overdraft	7,204	–	–	–	7,204	6,675
Total Retail	**719,216**	**414,837**	**(84,664)**	**330,173**	**389,043**	**430,330**

BANK

IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED ELCS
						31 DECEMBER 2019
NON-RETAIL						
Corporate lending	222,565	46,077	(3,261)	42,816	179,749	142,921
Project finance	68,640	9,815	–	9,815	58,825	48,948
Financial institution non-bank	1,490	–	–	–	1,490	1,489
Small and medium business	36,479	9,301	(2,233)	7,068	29,411	25,673
Public sector	–	–	–	–	–	–
Sovereign	–	–	–	–	–	–
Total Non-retail	**329,174**	**65,193**	**(5,494)**	**59,699**	**269,475**	**219,031**
RETAIL						
Personal loans	336,436	236	(226)	10	336,426	255,792
Mortgage	151,711	112,580	(18,960)	93,620	58,091	89,259
Micro	74,258	42,638	(21,611)	21,027	53,231	55,060
Consumer loan guaranteed with mortgage	227,662	214,169	(69,822)	144,347	83,315	140,335
Credit card	23,496	–	–	–	23,496	15,691
Overdraft	8,322	–	(3,490)	(3,490)	11,812	10,113
Total Retail	**821,885**	**369,623**	**(114,109)**	**255,514**	**566,371**	**566,250**

BANK

IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED ELCS
						31 DECEMBER 2018
NON-RETAIL						
Corporate lending	292,240	84,891	(6,963)	77,928	214,312	180,266
Project finance	61,183	21,192	–	21,192	39,991	39,990
Financial institution non-bank	–	–	–	–	–	–
Small and medium business	39,381	10,396	(1,116)	9,280	30,101	25,082
Public sector	–	–	–	–	–	–
Sovereign	–	–	–	–	–	–
Total Non-retail	**392,804**	**116,479**	**(8,079)**	**108,400**	**284,404**	**245,338**
RETAIL						
Personal loans	168,163	235	(234)	1	168,162	142,270
Mortgage	171,159	122,986	(13,932)	109,054	62,105	86,504
Micro	61,748	36,946	(16,270)	20,676	41,072	57,622
Consumer loan guaranteed with mortgage	290,411	254,670	(54,228)	200,442	89,969	131,301
Credit card	8,184	–	–	–	8,184	5,958
Overdraft	7,204	–	–	–	7,204	6,675
Total Retail	**706,869**	**414,837**	**(84,664)**	**330,173**	**376,696**	**430,330**

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

GROUP

IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED PROVISION
						31 DECEMBER 2019
NON-RETAIL						
Financial guarantees given	2,302,477	208,040	(63,044)	144,996	2,157,481	39,232
Loan commitments given	7,375,540	227,012	(35,107)	191,905	7,183,635	23,658
Total Non-retail	**9,678,017**	**435,052**	**(98,151)**	**336,901**	**9,341,116**	**62,890**
RETAIL						
Financial guarantees given	22,756	13,670	(4,624)	9,046	13,710	30
Loan commitments given	3,130,960	18,966	(5,862)	13,104	3,117,856	14,176
Total Retail	**3,153,716**	**32,636**	**(10,486)**	**22,150**	**3,131,566**	**14,206**

GROUP

IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED PROVISION
						31 DECEMBER 2018
NON-RETAIL						
Financial guarantees given	2,728,212	108,886	(12,750)	96,136	2,632,076	38,794
Loan commitments given	6,943,783	275,360	(25,980)	249,380	6,694,403	21,334
Total Non-retail	**9,671,995**	**384,246**	**(38,730)**	**345,516**	**9,326,479**	**60,128**
RETAIL						
Financial guarantees given	22,113	7,237	(1,047)	6,190	15,923	43
Loan commitments given	2,757,318	20,382	(7,049)	13,333	2,743,985	9,233
Total Retail	**2,779,431**	**27,619**	**(8,096)**	**19,523**	**2,759,908**	**9,276**

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

BANK

IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED PROVISION
						31 DECEMBER 2019
NON-RETAIL						
Financial guarantees given	2,298,477	208,040	(63,044)	144,996	2,153,481	39,232
Loan commitments given	7,316,776	227,012	(35,107)	191,905	7,124,871	23,658
Total Non-retail	**9,615,253**	**435,052**	**(98,151)**	**336,901**	**9,278,352**	**62,890**
RETAIL						
Financial guarantees given	22,756	13,670	(4,624)	9,046	13,710	30
Loan commitments given	3,116,010	18,966	(5,862)	13,104	3,102,906	14,176
Total Retail	**3,138,766**	**32,636**	**(10,486)**	**22,150**	**3,116,616**	**14,206**

BANK

IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED PROVISION
						31 DECEMBER 2018
NON-RETAIL						
Financial guarantees given	2,728,212	108,886	(12,750)	96,136	2,632,076	38,794
Loan commitments given	6,890,211	275,360	(25,980)	249,380	6,640,831	21,334
Total Non-retail	**9,618,423**	**384,246**	**(38,730)**	**345,516**	**9,272,907**	**60,128**
RETAIL						
Financial guarantees given	22,113	7,237	(1,047)	6,190	15,923	43
Loan commitments given	2,756,336	20,382	(7,049)	13,333	2,743,003	9,233
Total Retail	**2,778,449**	**27,619**	**(8,096)**	**19,523**	**2,758,926**	**9,276**

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets:

GROUP

IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED PROVISION
	31 DECEMBER 2019					
NON-RETAIL						
Financial guarantees given	102,020	6,256	(288)	5,968	96,052	38,613
Loan commitments given	61,793	1,399	–	1,399	60,394	8,131
Total Non-retail	**163,813**	**7,655**	**(288)**	**7,367**	**156,446**	**46,744**
RETAIL						
Loan commitments given	10,075	–	(166)	(166)	10,241	7,933
Total Retail	**10,075**	**–**	**(166)**	**(166)**	**10,241**	**7,933**

GROUP

IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED PROVISION
	31 DECEMBER 2018					
NON-RETAIL						
Financial guarantees given	111,683	7,921	(1,073)	6,848	104,835	38,012
Loan commitments given	35,907	881	–	881	35,026	9,768
Total Non-retail	**147,590**	**8,802**	**(1,073)**	**7,729**	**139,861**	**47,780**
RETAIL						
Loan commitments given	2,469	–	–	–	2,469	2,238
Total Retail	**2,469**	**–**	**–**	**–**	**2,469**	**2,238**

BANK

IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED PROVISION
						31 DECEMBER 2019
NON-RETAIL						
Financial guarantees given	102,020	6,256	(288)	5,968	96,052	38,613
Loan commitments given	60,968	1,399	–	1,399	59,569	8,131
Total Non-retail	**162,988**	**7,655**	**(288)**	**7,367**	**155,621**	**46,744**
RETAIL						
Loan commitments given	10,075	–	(166)	(166)	10,241	7,933
Total Retail	**10,075**	**–**	**(166)**	**(166)**	**10,241**	**7,933**

BANK

IN RON THOUSAND	MAXIMUM EXPOSURE TO CREDIT RISK	FAIR VALUE OF COLLATERAL	SURPLUS OF COLLATERAL	TOTAL COLLATERAL	NET EXPOSURE	ASSOCIATED PROVISION
						31 DECEMBER 2018
NON-RETAIL						
Financial guarantees given	111,683	7,921	(1,073)	6,848	104,835	38,012
Loan commitments given	35,907	881	–	881	35,026	9,768
Total Non-retail	**147,590**	**8,802**	**(1,073)**	**7,729**	**139,861**	**47,780**
RETAIL						
Loan commitments given	2,469	–	–	–	2,469	2,238
Total Retail	**2,469**	**–**	**–**	**–**	**2,469**	**2,238**

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, 2019 was RON 67,328 thousand (December 31, 2018: RON 56,190 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, 2019 were as follows:

GROUP

	STAGE 1			STAGE 2			STAGE 3		
IN RON THOUSAND	< 30 DAYS	31 – 90 DAYS	> 90 DAYS	< 30 DAYS	31 – 90 DAYS	> 90 DAYS	< 30 DAYS	31 – 90 DAYS	> 90 DAYS
Retail customers	619,428	–	–	400,172	98,306	–	38,195	50,456	131,753
Non-retail customers	413,778	–	–	73,075	2,932	–	10,445	2,025	30,489
Total	**1,033,206**	**–**	**–**	**473,247**	**101,238**	**–**	**48,640**	**52,481**	**162,242**

BANK

	STAGE 1			STAGE 2			STAGE 3		
IN RON THOUSAND	< 30 DAYS	31 – 90 DAYS	> 90 DAYS	< 30 DAYS	31 – 90 DAYS	> 90 DAYS	< 30 DAYS	31 – 90 DAYS	> 90 DAYS
Retail customers	617,368	–	–	400,082	98,184	–	37,993	50,296	131,447
Non-retail customers	352,322	–	–	69,625	519	–	(169)	–	16,285
Total	**969.690**	**0**	**0**	**469.707**	**98.703**	**0**	**37.824**	**50.296**	**147.732**

Loans and advances to customers past due but not impaired as of December 31, 2018 were as follows:

GROUP

	STAGE 1			STAGE 2			STAGE 3		
IN RON THOUSAND	< 30 DAYS	31 – 90 DAYS	> 90 DAYS	< 30 DAYS	31 – 90 DAYS	> 90 DAYS	< 30 DAYS	31 – 90 DAYS	> 90 DAYS
Retail customers	691,507	–	–	346,416	160,490	–	27,813	18,082	125,090
Non-retail customers	823,138	–	–	18,464	7,457	–	6,416	1,073	38,629
Total	**1,514,645**	**–**	**–**	**364,880**	**167,947**	**–**	**34,229**	**19,155**	**163,719**

BANK

	STAGE 1			STAGE 2			STAGE 3		
IN RON THOUSAND	< 30 DAYS	31 – 90 DAYS	> 90 DAYS	< 30 DAYS	31 – 90 DAYS	> 90 DAYS	< 30 DAYS	31 – 90 DAYS	> 90 DAYS
Retail customers	689,181	–	–	346,346	160,380	–	27,813	18,070	125,082
Non-retail customers	795,986	–	–	14,647	1,626	–	4,417	–	31,114
Total	**1,485,167**	**–**	**–**	**360,993**	**162,006**	**–**	**31,960**	**18,070**	**156,196**

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

GROUP

IN RON THOUSAND						31 DECEMBER 2019
NON RETAIL	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
A. Agriculture, forestry and fishing	631,586	30,203	11,281	–	2,732	673,070
B. Mining and quarrying	45,689	423	341	–	–	46,453
C. Manufacturing	1,975,898	83,062	84,834	–	5,000	2,143,794
D. Electricity, gas, steam and air conditioning supply	168,270	14,878	6,445	–	–	189,593
E. Water supply	75,667	17,498	14	–	–	93,179
F. Construction	741,727	160,820	52,444	–	533	954,991
G. Wholesale and retail trade	2,952,550	184,824	66,142	–	9,909	3,203,516
H. Transport and storage services	1,038,040	63,719	9,460	–	2,697	1,111,219
I. Accommodation and restaurant services	359,361	45,237	316	41,374	–	404,914
J. Information and communications	180,511	2,385	41,536	–	30,726	224,432
K. Financial and insurance activities	261,188	90,166	3	–	–	351,357
L. Real estate activities	1,081,168	2,764	65,817	–	–	1,149,749
M. Professional, scientific and technical activities	207,755	5,843	2,379	–	–	215,977
N. Administrative and support service activities	138,814	4,800	1,024	–	–	144,638
O. Public administration and defense, compulsory social security	42,690	541,508	–	–	–	584,198
P. Education	46,994	–	1	–	–	46,995
Q. Human health services and social work activities	340,710	9,294	3,043	–	–	353,047
R. Arts, entertainment and recreation	4,837	947	2,342	–	–	8,126
S. Other services	19,400	19,342	2,687	–	–	41,429
Total	**10,312,855**	**1,277,713**	**350,109**	**41,374**	**51,597**	**11,940,677**

GROUP

IN RON THOUSAND						31 DECEMBER 2018
NON-RETAIL	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
A. Agriculture, forestry and fishing	464,187	50,838	16,138	–	3,245	531,163
B. Mining and quarrying	11,240	1,635	2,929	–	–	15,804
C. Manufacturing	1,886,302	62,650	91,722	–	15,804	2,040,674
D. Electricity, gas, steam and air conditioning supply	260,769	20,128	27,896	–	–	308,793
E. Water supply	66,453	2,187	5,102	–	–	73,742
F. Construction	906,823	20,639	38,929	–	7,170	966,391
G. Wholesale and retail trade	2,784,766	133,205	89,963	–	21,316	3,007,934
H. Transport and storage services	719,212	33,592	2,558	–	340	755,362
I. Accommodation and restaurant services	238,656	50,778	38	42,913	–	289,472
J. Information and communications	299,331	677	34,364	–	30,726	334,372
K. Financial and insurance activities	1,440,088	109,999	3	–	–	1,550,090
L. Real estate activities	1,022,989	–	81,997	–	–	1,104,986
M. Professional, scientific and technical activities	254,581	21,946	8,416	–	217	284,943
N. Administrative and support service activities	136,991	5,160	8,234	–	–	150,385
O. Public administration and defense, compulsory social security	231,067	65,619	–	–	–	296,686
P. Education	50,623	625	870	–	–	52,118
Q. Human health services and social work activities	297,461	678	–	–	–	298,139
R. Arts, entertainment and recreation	6,683	549	6,500	–	4,553	13,732
S. Other services	15,489	26,328	2,885	–	–	44,702
Total	**11,093,711**	**607,233**	**418,544**	**42,913**	**83,371**	**12,119,488**

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

BANK

IN RON THOUSAND						31 DECEMBER 2019
NON-RETAIL	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
A. Agriculture, forestry and fishing	616,563	27,797	10,999	–	2,732	655,359
B. Mining and quarrying	42,519	345	20	–	–	42,884
C. Manufacturing	1,890,542	74,909	79,953	–	5,000	2,045,404
D. Electricity, gas, steam and air conditioning supply	168,270	14,878	6,445	–	–	189,593
E. Water supply	52,039	16,662	14	–	–	68,715
F. Construction	695,711	156,218	51,680	–	533	903,609
G. Wholesale and retail trade	2,791,046	175,665	63,960	–	9,909	3,030,671
H. Transport and storage services	885,190	46,876	5,132	–	2,697	937,198
I. Accommodation and restaurant services	328,346	44,836	316	41,374	–	373,498
J. Information and communications	174,647	2,059	40,400	–	30,726	217,106
K. Financial and insurance activities	741,344	90,166	3	–	–	831,513
L. Real estate activities	1,080,359	1,572	62,225	–	–	1,144,156
M. Professional, scientific and technical activities	193,472	5,056	2,379	–	–	200,907
N. Administrative and support service activities	130,821	4,242	913	–	–	135,976
O. Public administration and defense, compulsory social security	42,005	541,508	–	–	–	583,513
P. Education	46,890	–	1	–	–	46,891
Q. Human health services and social work activities	324,963	9,198	–	–	–	334,161
R. Arts, entertainment and recreation	2,917	54	2,342	–	–	5,313
S. Other services	18,822	19,343	2,392	–	–	40,557
Total	**10,226,466**	**1,231,384**	**329,174**	**41,374**	**51,597**	**11,787,024**

BANK

IN RON THOUSAND						31 DECEMBER 2018
NON-RETAIL	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
A. Agriculture, forestry and fishing	429,736	47,295	15,886	–	3,245	492,917
B. Mining and quarrying	10,109	1,635	2,929	–	–	14,673
C. Manufacturing	1,778,170	54,435	89,657	–	15,804	1,922,262
D. Electricity, gas, steam and air conditioning supply	260,769	17,707	27,896	–	–	306,372
E. Water supply	50,827	2,187	5,102	–	–	58,116
F. Construction	843,494	16,430	31,359	–	7,170	891,283
G. Wholesale and retail trade	2,593,329	124,732	88,627	–	21,316	2,806,688
H. Transport and storage services	890,095	33,592	2,558	–	340	926,245
I. Accommodation and restaurant services	194,740	50,778	38	42,913	–	245,556
J. Information and communications	287,595	677	34,364	–	30,726	322,636
K. Financial and insurance activities	1,440,088	109,999	3	–	–	1,550,090
L. Real estate activities	1,021,916	–	76,384	–	–	1,098,300
M. Professional, scientific and technical activities	254,454	3,050	8,416	–	217	265,920
N. Administrative and support service activities	127,152	5,160	72	–	–	132,384
O. Public administration and defense, compulsory social security	230,478	65,619	–	–	–	296,097
P. Education	50,355	625	870	–	–	51,850
Q. Human health services and social work activities	281,740	678	–	–	–	282,418
R. Arts, entertainment and recreation	461	549	6,500	–	4,553	7,510
S. Other services	15,489	21,698	2,143	–	–	39,330
Total	**10,760,997**	**556,846**	**392,804**	**42,913**	**83,371**	**11,710,647**

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

GROUP

IN RON THOUSAND						31 DECEMBER 2019
RETAIL	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
A. Agriculture, forestry and fishing	169,788	32,986	7,098	–	84	209,872
B. Mining and quarrying	1,789	865	172	–	–	2,826
C. Manufacturing	131,724	14,715	13,824	–	15	160,263
D. Electricity, gas, steam and air conditioning supply	186	215	22	–	–	423
E. Water supply	11,489	1,557	1,606	–	4	14,652
F. Construction	119,064	14,638	12,640	–	85	146,342
G. Wholesale and retail trade	321,187	36,192	29,059	35	1,300	386,438
H. Transport and storage services	261,886	20,978	29,850	–	100	312,714
I. Accommodation and restaurant services	36,028	2,823	2,396	–	–	41,247
J. Information and communications	25,085	2,093	1,483	–	–	28,661
K. Financial and insurance activities	696	12	83	–	–	791
L. Real estate activities	11,596	197	765	–	–	12,558
M. Professional, scientific and technical activities	79,162	9,612	3,844	–	140	92,618
N. Administrative and support service activities	42,335	2,588	2,913	–	19	47,836
O. Public administration and defense, compulsory social security	981	–	–	–	–	981
P. Education	4,904	1,150	72	–	–	6,126
Q. Human health services and social work activities	31,599	5,483	728	–	–	37,810
R. Arts, entertainment and recreation	8,124	1,312	413	–	–	9,849
S. Other services	14,936	2,589	897	–	–	18,422
Private individuals	12,563,309	1,936,871	749,894	147,866	76,053	15,250,074
Total	**13,835,868**	**2,086,876**	**857,759**	**147,901**	**77,800**	**16,780,503**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2019

GROUP

IN RON THOUSAND						31 DECEMBER 2018
RETAIL	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
A. Agriculture, forestry and fishing	115,123	22,324	4,266	–	46	141,713
B. Mining and quarrying	581	416	90	–	–	1,087
C. Manufacturing	79,701	23,620	9,057	–	256	112,378
D. Electricity, gas, steam and air conditioning supply	99	413	222	–	–	734
E. Water supply	6,164	2,014	1,296	–	3	9,474
F. Construction	59,442	21,975	8,947	–	233	90,364
G. Wholesale and retail trade	230,381	45,903	21,955	55	1,028	298,239
H. Transport and storage services	393,496	36,582	6,637	–	2	436,715
I. Accommodation and restaurant services	21,169	3,367	2,266	–	–	26,802
J. Information and communications	12,510	2,228	544	–	–	15,282
K. Financial and insurance activities	27	9	55	–	–	91
L. Real estate activities	7,861	796	859	–	–	9,516
M. Professional, scientific and technical activities	42,030	10,407	2,108	–	58	54,545
N. Administrative and support service activities	18,839	4,740	1,467	160	–	25,046
O. Public administration and defense, compulsory social security	478	–	–	–	–	478
P. Education	1,526	737	87	–	–	2,350
Q. Human health services and social work activities	22,683	3,467	586	–	–	26,736
R. Arts, entertainment and recreation	4,299	260	484	–	1	5,043
S. Other services	61,786	7,521	13,168	–	–	82,475
Private individuals	11,250,594	1,793,796	645,122	95,746	113,971	13,689,512
Total	**12,328,789**	**1,980,575**	**719,216**	**95,961**	**115,598**	**15,028,580**

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

BANK

IN RON THOUSAND						31 DECEMBER 2019
RETAIL	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
A. Agriculture, forestry and fishing	132,928	32,783	4,751	–	84	170,462
B. Mining and quarrying	749	865	81	–	–	1,695
C. Manufacturing	101,236	14,715	11,462	–	15	127,413
D. Electricity, gas, steam and air conditioning supply	186	215	22	–	–	423
E. Water supply	7,096	1,557	1,309	–	4	9,962
F. Construction	80,938	14,032	9,494	–	85	104,464
G. Wholesale and retail trade	254,313	36,167	26,153	35	1,300	316,633
H. Transport and storage services	111,834	19,577	9,988	–	100	141,399
I. Accommodation and restaurant services	27,554	2,787	1,870	–	–	32,211
J. Information and communications	18,000	1,988	1,336	–	–	21,324
K. Financial and insurance activities	34	12	83	–	–	129
L. Real estate activities	7,713	197	198	–	–	8,108
M. Professional, scientific and technical activities	52,082	9,612	2,878	–	140	64,572
N. Administrative and support service activities	28,204	2,505	2,660	–	19	33,369
O. Public administration and defense, compulsory social security	946	–	–	–	–	946
P. Education	3,811	1,150	60	–	–	5,021
Q. Human health services and social work activities	21,725	5,483	664	–	–	27,872
R. Arts, entertainment and recreation	5,568	1,312	407	–	–	7,287
S. Other services	12,860	2,589	841	–	–	16,290
Private individuals	12,494,652	1,935,809	747,628	147,866	76,053	15,178,089
Total	**13,362,429**	**2,083,355**	**821,885**	**147,901**	**77,800**	**16,267,669**

BANK

IN RON THOUSAND						31 DECEMBER 2018
RETAIL	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
A. Agriculture, forestry and fishing	115,123	22,324	4,266	–	46	141,713
B. Mining and quarrying	581	416	90	–	–	1,087
C. Manufacturing	79,701	23,620	9,057	–	256	112,378
D. Electricity, gas, steam and air conditioning supply	99	413	222	–	–	734
E. Water supply	6,164	2,014	1,296	–	3	9,474
F. Construction	59,442	21,975	8,947	–	233	90,364
G. Wholesale and retail trade	230,381	45,903	21,955	55	1,028	298,239
H. Transport and storage services	83,700	36,582	6,637	–	2	126,919
I. Accommodation and restaurant services	21,169	3,367	2,266	–	–	26,802
J. Information and communications	12,510	2,228	544	–	–	15,282
K. Financial and insurance activities	27	9	55	–	–	91
L. Real estate activities	7,861	796	859	–	–	9,516
M. Professional, scientific and technical activities	42,030	10,407	2,108	–	58	54,545
N. Administrative and support service activities	18,839	4,740	1,467	160	–	25,046
O. Public administration and defense, compulsory social security	478	–	–	–	–	478
P. Education	1,526	737	87	–	–	2,350
Q. Human health services and social work activities	22,683	3,467	586	–	–	26,736
R. Arts, entertainment and recreation	4,299	260	484	–	1	5,043
S. Other services	12,786	1,908	821	–	–	15,515
Private individuals	11,250,594	1,793,796	645,122	95,746	113,971	13,689,512
Total	**11,969,993**	**1,974,962**	**706,869**	**95,961**	**115,598**	**14,651,824**

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, 2019. These variables are the most significant variables used in ECL calculation.

31 DECEMBER 2019 KEY DRIVERS	ECL SCENARIO	ASSIGNED PROBABILITIES %	2020 %	2021 %	2022 %
RETAIL					
GDP growth %	Baseline	50	2.30	(0.03)	1.14
	Upside	25	4.24	2.99	3.74
	Downside	25	0.12	(1.96)	(0.38)
EUR/RON	Baseline	50	4.87	4.94	4.86
	Upside	25	4.56	4.57	4.55
	Downside	25	5.21	5.34	5.16
ROBOR 3M	Baseline	50	3.91	4.08	4.08
	Upside	25	0.91	0.47	0.86
	Downside	25	4.73	5.05	4.68
Unemployment	Baseline	50	4.25	5.00	5.40
	Upside	25	3.65	4.29	4.79
	Downside	25	5.44	6.43	6.57
NON-RETAIL					
GDP growth %	Baseline	50	2.30	(0.03)	1.14
	Upside	25	4.24	2.99	3.74
	Downside	25	0.12	(1.96)	(0.38)

The Group's internal credit rating grades

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

RETAIL: PRIVATE INDIVIDUALS, MICRO
31 DECEMBER 2019

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%

NON-RETAIL: NEW MODELS – CORPORATE, SMALL AND MEDIUM BUSINESS AND FINANCIAL INSTITUTION
31 DECEMBER 2019

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% – 0.08%)	Strong
3A, 3B, 3C	Very Good Credit Standing	[0.08% – 0.19%)	Strong
4A, 4B, 4C	Good Credit Standing	[0.19% – 0.47%)	Good
5A, 5B, 5C	Sound Credit Standing	[0.47% – 1.17%)	Good
6A, 6B, 6C	Acceptable Credit Standing	[1.17% – 2.93%)	Satisfactory
7A, 7B, 7C	Marginal Credit Standing	[2.93% – 7.33%)	Satisfactory
8A, 8B, 8C	Weak Credit Standing	[7.33% – 18.33%)	Substandard
9A, 9B, 9C	Very Weak Credit Standing	[18.33% – 100%)	Substandard
NON- PERFORMING			
10	Default	100%	Impaired

NON-RETAIL: PROJECT FINANCE 31 DECEMBER 2019			
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% – 1.37%)	Good
6.2	Good project risk profile – low risk	[1.37% – 3.98%)	Satisfactory
6.3	Acceptable risk profile – average risk	[3.98% – 18.34%)	Satisfactory
6.4	Poor project risk profile – high risk	[18.34% – 100%)	Substandard
NON- PERFORMING			
6.5	Default	100%	Impaired

NON-RETAIL: INSURANCE 31 DECEMBER 2019			
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%)	Strong
2	Good Credit Standing	[0.04% – 0.08%)	Strong
2.5	Sound Credit Standing	[0.08% – 0.14%)	Strong
3	Acceptable Credit Standing	[0.14% – 1.17%)	Strong
3.5	Marginal Credit Standing	[1.17% – 1.59%)	Satisfactory
4	Weak Credit Standing	[1.59% – 7.33%)	Satisfactory
4.5	Very Weak Credit Standing	[7.33% – 100%)	Substandard
NON- PERFORMING			
5	Default	100%	Impaired

NON-RETAIL: SOVEREIGN
31 DECEMBER 2019

INTERNAL RATING GRADE	INTERNAL RATING DESCRIPTION	12 MONTH BASEL III PD RANGE	INTERNAL RATING GRADE MAPPING
PERFORMING			
A1	Excellent Credit Standing	[0.00% – 0.0002%)	Excellent
A2	Very Good Credit Standing	[0.0002% – 0.008%)	Excellent
A3	Good Credit Standing	[0.008% – 0.03%)	Excellent
B1	Sound Credit Standing	[0.008% – 0.03%)	Excellent
B2	Acceptable Credit Standing	[0.03% – 0.1%)	Strong
B3	Marginal Credit Standing	[0.1% – 0.6%)	Strong
B4	Weak Credit Standing	[0.6% – 2.16%)	Good
B5	Very Weak Credit Standing	[2.16% – 9.95%)	Satisfactory
C	Doubtful/high default risk	[9.95% – 100%)	Substandard
NON- PERFORMING			
D	Default	100%	Impaired

CLIENȚI NON–RETAIL: COLLECTIVE INVESTMENT UNDERTAKINGS
31 DECEMBER 2019

INTERNAL RATING GRADE	INTERNAL RATING DESCRIPTION	12 MONTH BASEL III PD RANGE	INTERNAL RATING GRADE MAPPING
PERFORMING			
C1	Excellent Credit Standing	[0.00% – 0.055%)	Strong
C2	Very strong Credit Standing	[0.00% – 0.055%)	Strong
C3	Strong Credit Standing	[0.00% – 0.055%)	Strong
C4	Good Credit Standing	[0.00% – 0.055%)	Strong
C5	Quite good Credit Standing	[0.055% – 0.19%)	Strong
C6	Satisfactory Credit Standing	[0.055% – 0.19%)	Strong
C7	Adequate Credit Standing	[0.19% – 2.933%)	Good
C8	Highly questionable Credit Standing	[2.933% – 18.34%)	Satisfactory
C9	Doubtful/high default risk	[18.34% – 100%)	Substandard
NON- PERFORMING			
CD	Default	100%	Impaired

NON-RETAIL - LOCAL AND REGIONAL GOVERNMENT
31 DECEMBER 2019

INTERNAL RATING GRADE	INTERNAL RATING DESCRIPTION	12 MONTH BASEL III PD RANGE	INTERNAL RATING GRADE MAPPING
PERFORMING			
A1	Excellent Credit Standing	[0.00% – 0.08%)	Excellent
A2	Very Good Credit Standing	[0.08% – 0.19%)	Strong
A3	Good Credit Standing	[0.19% – 0.255%)	Good
B1	Sound Credit Standing	[0.255% – 0.47%)	Good
B2	Acceptable Credit Standing	[0.47% – 0.86%)	Good
B3	Marginal Credit Standing	[0.86% – 1.59%)	Good
B4	Weak Credit Standing	[1.59% – 3.98%)	Satisfactory
B5	Very Weak Credit Standing	[3.98% – 18.33%)	Satisfactory
C	Doubtful/high default risk	[18.33% – 100%)	Substandard
NON-PERFORMING			
D	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.

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.

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

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

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

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

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

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

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

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

The main tools used for stress conditions are:

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

GROUP

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as at 31 December 2019 as follows:

IN RON THOUSAND	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	OVER 5 YEARS	WITHOUT MATURITY	TOTAL
FINANCIAL ASSETS						
Cash and cash with Central Bank	6,506,880	–	–	–	–	6,506,880
Loans and advances to banks at amortized cost	202,804	4,503	–	–	–	207,307
Derivative assets held for risk management	561	6,888	1,394	–	–	8,843
Trading assets	63,067	106,069	215,999	17,796	–	402,931
Financial assets mandatorily at fair value through profit or loss	37,423	43,712	50,435	231,918	37	363,525
Investment securities at fair value through other comprehensive income	143,604	550,695	1,239,249	464,613	–	2,398,161
Equity instruments at fair value through other comprehensive income	–	–	–	–	61,902	61,902
Loans and advances to customers at amortised cost	2,920,518	5,848,268	10,748,715	8,076,133	–	27,593,634
Fair value changes of the hedged items – hedge accounting	–	–	–	3,204	–	3,204
Investment securities at amortised cost	129,536	486,583	3,032,150	1,304,507	–	4,952,776
Other assets	226,580	–	241,073	–	–	467,653
Total financial assets	**10,230,973**	**7,046,718**	**15,529,015**	**10,098,171**	**61,939**	**42,966,816**
FINANCIAL LIABILITIES						
Trading liabilities	9,445	5,646	–	–	–	15,091
Derivative liabilities held for risk management	9,000	619	1,831	13,854	–	25,304
Deposits from banks	308,670	–	–	–	–	308,670
Deposits from customers	32,286,830	3,564,855	218,156	38,985	–	36,108,826
Loans from banks and other financial institutions	94,644	246,783	138,324	33,211		512,962
Derivatives – hedge accounting	–	–	–	3,497	–	3,497
Other liabilities	489,615	64,142	204,799	57,469	98,696	914,721
Debt securities issued		–	–	480,617	–	480,617
Subordinated liabilities	–	–	96,296	312,349	–	408,645
Total financial liabilities	33,198,204	3,882,045	659,406	939,982	98,696	38,778,333
Maturity surplus/ (shortfall)	**(22,967,231)**	**3,164,673**	**14,869,609**	**9,158,189**	**(36,757)**	**4,188,483**

The financial assets and liabilities analyzed over the remaining period from 31 December 2018 to contractual maturity are as follows:

IN RON THOUSAND	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	OVER 5 YEARS	WITHOUT MATURITY	TOTAL
FINANCIAL ASSETS						
Cash and cash with Central Bank	7,197,230	–	–	–	–	7,197,230
Loans and advances to banks at amortized cost	437,854	–	–	–	–	437,854
Derivative assets held for risk management	473	–	5,863	2,284	–	8,620
Trading assets	7,758	33,990	247,603	9,694	–	299,045
Financial assets mandatorily at fair value through profit or loss	83,751	30,616	59,173	206,688	–	380,228
Investment securities at fair value through other comprehensive income	501,012	945,389	1,353,479	404,427	–	3,204,307
Equity instruments at fair value through other comprehensive income	–	–	–	–	48,023	48,023
Loans and advances to customers at amortised cost	4,693,856	5,299,107	9,889,475	6,261,922	–	26,144,360
Fair value changes of the hedged items – hedge accounting	–	–	–	1,124	–	1,124
Investment securities at amortised cost	97,294	363,430	1,095,138	777,505	–	2,333,367
Other assets	–	–	–	–	248,085	248,085
Total financial assets	**13,019,228**	**6,672,532**	**12,650,731**	**7,663,644**	**296,108**	**40,302,243**
FINANCIAL LIABILITIES						
Trading liabilities	6,028	8,011	4,224	59	–	18,322
Derivative liabilities held for risk management	4,114	241	277	2,846	–	7,478
Deposits from banks	528,149	7,921	–	–	–	536,070
Deposits from customers	29,243,689	3,595,882	147,176	64,456	–	33,051,203
Loans from banks and other financial institutions	105,798	273,213	428,969	1,918	–	809,898
Derivatives – hedge accounting	–	–	–	1,433	–	1,433
Debt securities issued	–	512,458	–	–	–	512,458
Subordinated liabilities	5,519	–	733,561	116,598	–	855,678
Other liabilities	–	–	–	–	556,812	556,812
Total financial liabilities	**29,893,297**	**4,397,726**	**1,314,207**	**187,310**	**556,812**	**36,349,352**
Maturity surplus/ (shortfall)	**(16,874,069)**	**2,274,806**	**11,336,524**	**7,476,334**	**(260,704)**	**3,952,891**

BANK

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as of 31 December 2019 as follows:

IN RON THOUSAND	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	OVER 5 YEARS	WITHOUT MATURITY	TOTAL
FINANCIAL ASSETS						
Cash and cash with Central Bank	6,506,056	–	–	–	–	6,506,056
Loans and advances to banks at amortised cost	196,499	4,503	–	–	–	201,002
Derivative assets held for risk management	561	6,888	1,394	–	–	8,843
Trading assets	63,067	106,069	215,999	17,796	–	402,931
Financial assets mandatorily at fair value through profit or loss	17,522	43,713	50,435	231,918	37	343,625
Investment securities at fair value through other comprehensive income	143,604	550,695	1,167,459	464,613	–	2,326,371
Equity instruments at fair value through other comprehensive income	–	–	–	–	61,902	61,902
Loans and advances to customers at amortised cost	2,789,511	5,574,671	10,561,071	8,036,161	–	26,961,414
Fair value changes of the hedged items – hedge accounting	–	–	–	3,204	–	3,204
Investment securities at amortised cost	90,784	331,571	2,947,370	1,304,507	–	4,674,232
Other assets	196,847	–	241,073	–	–	437,920
Total financial assets	**10,004,451**	**6,618,110**	**15,184,801**	**10,058,199**	**61,939**	**41,927,500**
FINANCIAL LIABILITIES						
Trading liabilities	9,445	5,646	–	–	–	15,091
Derivative liabilities held for risk management	9,000	619	1,831	13,854	–	25,304
Deposits from banks	308,670	–	–	–	–	308,670
Deposits from customers	32,094,675	3,521,903	147,660	38,072	–	35,802,310
Loans from banks and other financial institutions	9,058	–	–	33,211	–	42,269
Derivatives – hedge accounting	–	–	–	3,497	–	3,497
Other liabilities	478,491	64,142	204,799	57,469	98,696	903,597
Debt securities issued	–	–	–	480,617	–	480,617
Subordinated liabilities	–	–	96,296	312,349	–	408,645
Total financial liabilities	**32,909,339**	**3,592,310**	**450,586**	**939,069**	**98,696**	**37,990,000**
Maturity surplus/ (shortfall)	**(22,904,888)**	**3,025,800**	**14,734,215**	**9,119,130**	**(36,757)**	**3,937,500**

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as of 31 December 2018 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	7,197,222	–	–	–	–	7,197,222
Loans and advances to banks at amortised cost	435,126	–	–	–	–	435,126
Derivative assets held for risk management	473	–	5,863	2,284	–	8,620
Trading assets	7,639	33,990	247,603	9,694	–	298,926
Financial assets mandatorily at fair value through profit or loss	72,031	30,616	59,173	206,688	–	368,508
Investment securities at fair value through other comprehensive income	501,012	945,389	1,353,479	404,427	–	3,204,307
Equity instruments at fair value through other comprehensive income	–	–	–	–	48,023	48,023
Loans and advances to customers at amortised cost	4,596,188	5,065,158	9,485,407	6,243,216	–	25,389,969
Fair value changes of the hedged items – hedge accounting	–	–	–	1,124	–	1,124
Investment securities at amortised cost	90,921	360,812	1,078,833	777,505	–	2,308,071
Other assets	–	–	–	–	223,689	223,689
Total financial assets	**12,900,612**	**6,435,965**	**12,230,358**	**7,644,938**	**271,712**	**39,483,585**
FINANCIAL LIABILITIES						
Trading liabilities	6,028	8,011	4,224	59	–	18,322
Derivative liabilities held for risk management	4,114	241	277	2,846	–	7,478
Deposits from banks	528,149	7,921	–	–	–	536,070
Deposits from customers	29,281,807	3,600,134	147,176	64,456	–	33,093,573
Loans from banks and other financial institutions	19,737	43,809	42,810	1,918	–	108,274
Derivatives – hedge accounting	–	–	–	1,433	–	1,433
Debt securities issued	–	516,179	–	–	–	516,179
Subordinated liabilities	5,519	–	733,561	116,598	–	855,678
Other liabilities	–	–	–	–	550,918	550,918
Total financial liabilities	**29,845,354**	**4,176,295**	**928,048**	**187,310**	**550,918**	**35,687,925**
Maturity surplus/ (shortfall)	**(16,944,742)**	**2,259,670**	**11,302,310**	**7,457,628**	**(279,206)**	**3,795,660**

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 2019 by RON 6,093,162 thousand compared to 2018, being generated by the increase in customer deposits, higher in 2019 by RON 3,057,623 thousand and by the decrease in cash and cash with Central Bank by RON 690,350 thousand.

With regards to the other buckets, the increase by RON 3,533,085 thousand in the 1-5 years bucket and by RON 1,681,855 thousand in over 5 years bucket is mainly due to increase in loans and advances to customers by RON 859,240 thousand in 1-5 years time band and by RON 1,814,211 thousand in over 5 years time band, but also due to higher investment securities at amortised cost by RON 1,937,012 thousand in the 1-5 years bucket.

BANK

The negative liquidity gap on the first bucket has increased in 2019 by RON 5,960,146 thousand compared to 2018, being generated by the increase in customer deposits, higher in 2019 by RON 2,708,737 thousand and by the decrease in cash and cash with Central Bank by RON 691,166 thousand.

With regards to the other buckets, the increase by RON 3,431,905 thousand in the 1-5 years bucket and by RON 1,661,502 thousand in over 5 years bucket is mainly due to increase in loans and advances to customers by RON 1,075,664 thousand in 1-5 years time band and by RON 1,792,945 thousand in over 5 years time band, but also due to higher investment securities at amortised cost by RON 1,868,537 thousand in the 1- 5 years bucket.

Analysis of financial liabilities by remaining contractual maturities

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

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2019

GROUP

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2019 are as follows:

IN RON THOUSAND	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
FINANCIAL LIABILITIES					
Net settled trading liabilities	(172)	682	1,459	2	1,971
Gross settled trading liabilities	2,321,699	768,565	–	–	3,090,264
Net settled derivative liabilities held for risk management	(1,437)	(710)	(9,789)	(4,309)	(16,245)
Deposits from banks	393,376	247,664	138,324	–	779,364
Deposits from customers	32,288,566	3,580,802	227,643	39,140	36,136,151
Loans from banks	13,928	10,225	16,957	838	41,948
Debt securities issued	–	–	–	–	–
Subordinated liabilities	12,145	37,928	298,771	1,013,622	1,362,466
Lease liabilities	23,582	64,142	204,799	57,469	349,992
Other financial guarantees	50,092	31,976	17,404	2,548	102,020
Total financial liabilities	**36,635,819**	**4,827,808**	**890,508**	**1,109,310**	**43,463,445**
GROSS SETTLED DERIVATIVE LIABILITIES HELD FOR RISK MANAGEMENT					
Contractual amounts receivable	1,548,105	156,836	54,431	–	1,759,372
Contractual amounts payable	(1,555,722)	(155,564)	(59,491)	–	(1,770,777)
	(7,617)	**1,272**	**(5,060)**	**–**	**(11,405)**

Financial liabilities analyzed over the remaining period from the balance sheet date, using undiscounted cash flows as of 31 December 2018 are as follows:

IN RON THOUSAND	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
FINANCIAL LIABILITIES					
Net settled trading liabilities	4	7	6	–	17
Gross settled trading liabilities	1,089,823	1,047,927	–	–	2,137,750
Net settled derivative liabilities held for risk management	1,414	1,004	1,174	–	3,592
Gross settled derivative liabilities held for risk management	733,735	–	–	–	733,735
Deposits from banks	528,188	9,036	–	–	537,224
Deposits from customers	29,271,216	3,582,125	227,275	38,034	33,118,650
Loans from banks	78,786	230,986	485,010	21,300	816,082
Debt securities issued	–	523,166	–	–	523,166
Subordinated liabilities	10,278	31,018	789,988	122,988	954,272
Other financial guarantees	22,582	50,973	35,139	2,989	111,683
Total financial liabilities	**31,736,026**	**5,476,242**	**1,538,592**	**185,311**	**38,936,171**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2019

BANK

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2019 are as follows:

IN RON THOUSAND	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
FINANCIAL LIABILITIES					
Net settled trading liabilities	(172)	682	1,459	2	1,971
Gross settled trading liabilities	2,321,699	768,565	–	–	3,090,264
Net settled derivative liabilities held for risk management	(1,437)	(710)	(9,789)	(4,309)	(16,245)
Deposits from banks	308,670	–	–	–	308,670
Deposits from customers	32,097,075	3,537,850	157,147	38,227	35,830,299
Loans from banks	13,928	10,225	16,957	838	41,948
Subordinated liabilities	12,145	37,928	298,771	1,013,622	1,362,466
Lease liabilities	23,582	64,142	204,799	57,469	349,992
Other financial guarantees	50,092	31,976	17,404	2,548	102,020
Total financial liabilities	**34,825,582**	**4,450,658**	**686,748**	**1,108,397**	**41,071,385**
GROSS SETTLED DERIVATIVE LIABILITIES HELD FOR RISK MANAGEMENT					
Contractual amounts receivable	1,548,105	156,836	54,431	–	1,759,372
Contractual amounts payable	(1,555,722)	(155,564)	(59,491)	–	(1,770,777)
	(7,617)	**1,272**	**(5,060)**	**–**	**(11,405)**

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2018 are as follows:

IN RON THOUSAND	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
FINANCIAL LIABILITIES					
Net settled trading liabilities	3	7	6	–	16
Gross settled trading liabilities	1,093,283	1,056,603	–	–	2,149,886
Net settled derivative liabilities held for risk management	1,414	1,004	1,174	–	3,592
Gross settled derivative liabilities held for risk management	733,735	–	–	–	733,735
Deposits from banks	528,188	9,036	–	–	537,224
Deposits from customers	29,309,335	3,586,377	227,275	38,034	33,161,021
Loans from banks	6,503	43,834	42,818	21,301	114,456
Debt securities issued	–	526,886	–	–	526,886
Subordinated liabilities	10,278	31,018	789,988	122,988	954,272
Other financial guarantees	22,582	50,973	35,139	2,989	111,683
Total financial liabilities	**31,705,321**	**5,305,738**	**1,096,400**	**185,312**	**38,292,771**

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 2019, the VaR model used by the Group is based upon a 99% confidence level and assumes a 1 day holding period.

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

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

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

A summary of the VaR position of the Group's trading portfolios at December 31, 2019 and 2018 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
2019				
Foreign currency risk*	313	306	917	22
Interest-rate risk	300	379	1,698	102
Total	**613**	**685**	**2,615**	**124**
2018				
Foreign currency risk*	2,025	413	2,025	36
Interest-rate risk	551	568	1,298	167
Total	**2,576**	**981**	**3,350**	**203**

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

A summary of the VaR position of the Bank's trading portfolios at December 31, 2019 and 2018 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
2019				
Foreign currency risk*	283	306	917	22
Interest-rate risk	300	379	1,698	102
Total	**583**	**684**	**2,615**	**124**
2018				
Foreign currency risk*	1,958	412	1,958	36
Interest-rate risk	551	568	1,298	167
Total	**2,509**	**980**	**3,256**	**203**

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

Exposure to interest rate risk for non-trading portfolios

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

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

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

The following tables provide an analysis of the interest rate risk exposure on non-trading financial assets and liabilities. The assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

A summary of the Group's interest rate gap position on non-trading portfolios as at 31 December 2019 is as follows:

IN RON THOUSAND	LESS THAN 3 MONTHS	3 – 12 MONTHS	1 – 5 YEARS	OVER 5 YEARS	NON-INTEREST BEARING	TOTAL
ASSETS						
Cash and cash with Central Bank	3,917,527	–	–	–	2,589,353	6,506,880
Loans and advances to banks at amortised cost	202,803	4,504	–	–	–	207,307
Financial assets mandatorily at fair value through profit or loss	194,454	131,613	17,448	109	19,901	363,525
Investment securities at fair value through other comprehensive income	350,438	730,536	1,109,072	208,115	–	2,398,161
Loans and advances to customers at amortised cost	17,577,478	4,461,594	5,011,998	542,564	–	27,593,634
Investment securities at amortised cost	145,486	471,401	3,064,445	1,271,444	–	4,952,776
	22,388,186	**5,799,648**	**9,202,963**	**2,022,232**	**2,609,254**	**42,022,283**
LIABILITIES						
Deposits from banks	308,670	–	–	–	–	308,670
Deposits from customers	17,383,004	6,611,739	12,101,755	12,328	–	36,108,826
Loans from banks and other financial institutions	401,057	28,872	82,184	849	–	512,962
Debt securities issued	480,617	–	–	–	–	480,617
Subordinated liabilities	289,162	–	–	119,483	–	408,645
	18,862,510	**6,640,611**	**12,183,939**	**132,660**	**–**	**37,819,720**
Effect of derivatives held for risk management purposes	412,336	(88,317)	(99,369)	(215,807)	–	8,843
Net position	**3,938,012**	**(929,280)**	**(3,080,345)**	**1,673,765**	**2,609,254**	**4,211,406**

A summary of the Group's interest rate gap position on non-trading portfolios as at 31 December 2018 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	5,201,642	–	–	–	1,995,588	7,197,230
Loans and advances to banks at amortised cost	437,854	–	–	–	–	437,854
Financial assets mandatorily at fair value through profit or loss	251,398	112,663	15,872	295	–	380,228
Investment securities at fair value through other comprehensive income	17,891,432	3,978,661	3,748,719	525,548	–	26,144,360
Loans and advances to customers at amortised cost	750,634	1,061,861	1,275,165	116,647	–	3,204,307
Investment securities at amortised cost	140,473	356,893	1,073,666	762,335	–	2,333,367
	24,673,433	**5,510,078**	**6,113,422**	**1,404,825**	**1,995,588**	**39,697,346**
LIABILITIES						
Deposits from banks	529,157	6,913	–	–	–	536,070
Deposits from customers	17,218,023	6,109,480	9,708,652	15,048	–	33,051,203
Loans from banks and other financial institutions	561,814	73,442	172,724	1,918	–	809,898
Debt securities issued	–	512,458	–	–	–	512,458
Subordinated liabilities	739,080	–	–	116,598	–	855,678
	19,048,074	**6,702,293**	**9,881,376**	**133,564**	**–**	**35,765,307**
Effect of derivatives held for risk management purposes	407,674	(46,639)	(113,317)	(240,983)	–	6,735
Net position	**6,033,033**	**(1,238,854)**	**(3,881,271)**	**1,030,278**	**1,995,588**	**3,938,774**

A summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2019 is as follows:

IN RON THOUSAND	LESS THAN 3 MONTHS	3 – 12 MONTHS	1 – 5 YEARS	OVER 5 YEARS	NON-INTEREST BEARING	TOTAL
ASSETS						
Cash and cash with Central Bank	3,917,527	–	–	–	2,588,529	6,506,056
Loans and advances to banks at amortised cost	196,498	4,504	–	–	–	201,002
Financial assets mandatorily at fair value through profit or loss	194,455	131,613	17,448	109	–	343,625
Investment securities at fair value through other comprehensive income	350,438	658,746	1,109,072	208,115	–	2,326,371
Loans and advances to customers at amortised cost	17,313,382	4,356,595	4,771,687	519,750	–	26,961,414
Investment securities at amortised cost	106,258	384,386	2,912,144	1,271,444	–	4,674,232
	22,078,558	**5,535,844**	**8,810,351**	**1,999,418**	**2,588,529**	**41,012,700**
LIABILITIES						
Deposits from banks	308,670	–	–	–	–	308,670
Deposits from customers	17,300,525	6,539,133	11,953,985	8,667	–	35,802,310
Loans from banks and other financial institutions	13,703	10,072	17,645	849	–	42,269
Debt securities issued	480,617	–	–	–	–	480,617
Subordinated liabilities	289,162	–	–	119,483	–	408,645
	18,392,677	**6,549,205**	**11,971,630**	**128,999**	**–**	**37,042,511**
Effect of derivatives held for risk management purposes	412,336	(88,317)	(99,369)	(215,807)	–	8,843
Net position	**4,098,215**	**(1,101,678)**	**(3,260,648)**	**1,654,612**	**2,588,529**	**3,979,030**

Below is a summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2018:

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	5,201,634	–	–	–	1,995,588	7,197,222
Loans and advances to banks at amortised cost	435,126	–	–	–	–	435,126
Financial assets mandatorily at fair value through profit or loss	239,679	112,663	15,872	294	–	368,508
Investment securities at fair value through other comprehensive income	17,413,375	3,895,493	3,555,641	525,460	–	25,389,969
Loans and advances to customers at amortised cost	750,634	1,061,861	1,275,165	116,647	–	3,204,307
Investment securities at amortised cost	134,138	354,237	1,057,361	762,335		2,308,071
	24,174,586	**5,424,254**	**5,904,039**	**1,404,736**	**1,995,588**	**38,903,203**
LIABILITIES						
Deposits from banks	529,157	6,913	–	–	–	536,070
Deposits from customers	17,260,393	6,109,480	9,708,652	15,048	–	33,093,573
Loans from banks and other financial institutions	45,001	27,026	34,329	1,918	–	108,274
Debt securities issued	–	516,179	–	–	–	516,179
Subordinated liabilities	739,080	–	–	116,598	–	855,678
	18,573,631	**6,659,598**	**9,742,981**	**133,564**	**–**	**35,109,774**
Effect of derivatives held for risk management purposes	407,674	(46,639)	(113,317)	(240,983)	–	6,735
Net position	**6,008,629**	**(1,281,983)**	**(3,952,259)**	**1,030,189**	**1,995,588**	**3,800,164**

The management of interest rate risk through the set of interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. From the economic value perspective the standard scenarios include a 200 basis point (bp) parallel shift in the yield curve for all currencies and all maturities.

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

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

IN RON THOUSAND	200 BP INCREASE	200 BP DECREASE
AT 31 DECEMBER 2019	**287,009**	**326,556**
Average for the period	228,000	256,866
Minimum for the period	175,264	196,283
Maximum for the period	287,009	326,556
AT 31 DECEMBER 2018	**115,762**	**(119,841)**
Average for the period	146,549	(153,947)
Minimum for the period	115,762	(119,841)
Maximum for the period	199,581	(207,838)

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

IN RON THOUSAND	200 BP INCREASE	200 BP DECREASE
AT 31 DECEMBER 2019	**280,110**	**318,919**
Average for the period	224,494	252,991
Minimum for the period	175,009	196,148
Maximum for the period	280,110	318,919
AT 31 DECEMBER 2018	**116,737**	**(120,900)**
Average for the period	145,791	(154,713)
Minimum for the period	116,737	(120,900)
Maximum for the period	193,992	(208,151)

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 for 2019 and 2018 is presented below:

IN RON MILLION

APPLIED SHOCK ON NET INTEREST INCOME*	2019	2018
Parallel +200bp	211	222
Parallel -200bp	(344)	(335)
Steepening 5Y +200bp	12	23
Flattening 5Y -200bp	(38)	(33)
Flattening 1D +200bp	199	198
Steepening 1D -200bp	(303)	(296)
Maximum positive impact	279	266
Maximum negative impact	(418)	(402)

*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 2019 and 2018 were as follows:

CURRENCY	INTEREST RATE	31 DECEMBER 2019	31 DECEMBER 2018
RON	ROBOR 3 months	3.18%.	3.02%
EUR	EURIBOR 3 months	(0.38%.)	(0.31%)
EUR	EURIBOR 6 months	(0.32%.)	(0.24%)
USD	LIBOR 6 months	1.91%.	2.88%

The following table shows the average interest rates per annum obtained or offered by the Group for its interest-bearing assets and liabilities during the 2019 financial year:

	AVERAGE INTEREST RATE		
	RON	EUR	USD
ASSETS			
Current accounts with National Bank of Romania	0.17%	0.01%	0.13%
Loans and advances to banks at amortised cost	2.11%	0.56%	0.00%
Trading assets	2.45%	(0.47%)	2.05%
Financial assets mandatorily at fair value through profit or loss	3.63%	0.50%	N/A
Investment securities at fair value through other comprehensive income	3.76%	1.56%	N/A
Loans and advances to customers at amortised cost	5.62%	1.70%	3.21%
Investment securities at amo-rtised cost	5.31%	4.63%	N/A
LIABILITIES			
Deposits from banks	2.41%	1.52%	3.77%
Deposits from customers	0.45%	0.33%	0.05%
Loans from banks and other financial institutions	N/A	4.64%	N/A
Debt securities issued	5.31%	N/A	N/A
Subordinated liabilities	N/A	4.64%	N/A

The following table shows the interest rates per annum obtained or offered by the Group for its interest-bearing assets and liabilities during the 2018 financial year:

	AVERAGE INTEREST RATE		
	RON	EUR	USD
ASSETS			
Current accounts with National Bank of Romania	0.14%	0.02%	0.10%
Trading assets	3.61%	1.47%	5.58%
Loans and advances to banks at amortised cost	2.06%	(0.44%)	1.83%
Financial assets mandatorily at fair value through profit or loss	2.35%	0.59%	N/A
Investment securities at fair value through other comprehensive income	2.93%	2.24%	N/A
Loans and advances to customers at amortised cost	5.50%	1.82%	2.71%
Investment securities at amortised cost	4.83%	5.69%	N/A
LIABILITIES			
Deposits from banks	1.67%	0.60%	2.94%
Deposits from customers	0.48%	0.31%	0.06%
Loans from banks and other financial institutions	4.42%	0.21%	N/A
Subordinated liabilities	N/A	4.76%	N/A

The following table shows the average interest rates per annum obtained or offered by the Bank for its interest-bearing assets and liabilities during the 2019 financial year:

	AVERAGE INTEREST RATE		
	RON	EUR	USD
ASSETS			
Current accounts with National Bank of Romania	0.17%	0.01%	0.13%
Trading assets	2.11%	0.56%	0.00%
Loans and advances to banks at amortised cost	2.45%	(0.47%)	2.05%
Financial assets mandatorily at fair value through profit or loss	3.63%	0.50%	N/A
Investment securities at fair value through other comprehensive income	3.76%	1.56%	N/A
Loans and advances to customers at amortised cost	5.62%	1.70%	3.21%
Investment securities at amortised cost	5.31%	4.63%	N/A
LIABILITIES			
Deposits from banks	2.41%	1.52%	3.77%
Deposits from customers	0.45%	0.33%	0.05%
Loans from banks and other financial institutions	N/A	4.64%	N/A
Debt securities issued	5.31%	N/A	N/A
Subordinated liabilities	N/A	4.64%	N/A

The following table shows the average interest rates per annum obtained or offered by the Bank for its interest-bearing assets and liabilities during the 2018 financial year:

	AVERAGE INTEREST RATE		
	RON	EUR	USD
ASSETS			
Current accounts with National Bank of Romania	0.14%	0.02%	0.10%
Trading assets	3.61%	1.47%	5.58%
Loans and advances to banks at amortised cost	2.06%	(0.44%)	1.83%
Financial assets mandatorily at fair value through profit or loss	2.35%	0.59%	N/A
Investment securities at fair value through other comprehensive income	2.93%	2.24%	N/A
Loans and advances to customers at amortised cost	5.50%	1.82%	2.71%
Investment securities at amortised cost	4.83%	5.69%	N/A
LIABILITIES			
Deposits from banks	1.67%	0.60%	2.94%
Deposits from customers	0.48%	0.31%	0.06%
Loans from banks and other financial institutions	4.42%	0.21%	N/A
Subordinated liabilities	N/A	4.76%	N/A

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 2019 are presented below:

IN RON THOUSAND	RON	USD	EUR	OTHER	TOTAL
MONETARY ASSETS					
Cash and cash with Central Bank	3,165,260	28,296	3,278,321	35,003	6,506,880
Loans and advances to banks at amortised cost	159,101	3,951	40,950	3,305	207,307
Derivative assets held for risk management	504	–	8,282	57	8,843
Trading assets	370,925	–	32,006	–	402,931
Financial assets mandatorily at fair value through profit or loss	303,033	–	17,468	43,024	363,525
Investment securities at fair value through other comprehensive income	1,671,770	64,182	662,209	–	2,398,161
Equity instruments at fair value through other comprehensive income	12,674	49,228	–	–	61,902
Investment in subsidiaries, associates and joint ventures	17,780	–	–	–	17,780
Loans and advances to customers at amortised cost*	19,071,612	476,104	7,563,974	481,944	27,593,634
Fair value changes of the hedged items – hedge accounting	–	–	3,204	–	3,204
Investment securities at amortised cost	3,313,344	46,097	1,593,082	253	4,952,776
Other assets	390,657	1,329	49,138	26,529	467,653
Total monetary assets	**28,476,660**	**669,187**	**13,248,634**	**590,115**	**42,984,596**
MONETARY LIABILITIES					
Trading liabilities	11,465	–	3,626	–	15,091
Derivative liabilities held for risk management	11,525	8,184	5,595	–	25,304
Deposits from banks	304,672	298	3,365	335	308,670
Deposits from customers	22,474,130	1,422,930	11,958,521	253,245	36,108,826
Loans from banks and other financial institutions	86,039	–	426,904	19	512,962
Derivatives – hedge accounting	–	–	3,497	–	3,497
Other liabilities	355,851	58,099	497,443	3,328	914,721
Debt securities issued	480,617	–	–	–	480,617
Subordinated liabilities	–	–	408,645	–	408,645
Total monetary liabilities	**23,724,299**	**1,489,511**	**13,307,596**	**256,927**	**38,778,333**
Net currency position	**4,752,361**	**(820,324)**	**(58,962)**	**333,188**	**4,206,263**

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

GROUP

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2018 are presented below:

IN RON THOUSAND	RON	USD	EUR	OTHER	TOTAL
MONETARY ASSETS					
Cash and cash with Central Bank	3,675,096	31,594	3,457,822	32,718	7,197,230
Trading assets	178,607	–	120,438	–	299,045
Derivative assets held for risk management	–	–	8,620	–	8,620
Loans and advances to banks at amortised cost	49,564	20,269	365,239	2,782	437,854
Financial assets mandatorily at fair value through profit or loss	321,821	–	16,159	42,248	380,228
Investment securities at fair value through other comprehensive income	2,541,116	114,577	548,614	–	3,204,307
Equity instruments at fair value through other comprehensive income	14,133	33,890	–	–	48,023
Investment in subsidiaries, associates and joint ventures	24,980	–	–	–	24,980
Loans and advances to customers at amortised cost*	17,177,324	509,076	7,963,168	494,792	26,144,360
Fair value changes of the hedged items – hedge accounting	–	–	1,124	–	1,124
Investment securities at amortised cost	1,504,258	45,044	783,822	243	2,333,367
Tax receivable	–	–	–	–	–
Other assets	183,468	4,505	59,417	695	248,085
Total monetary assets	**25,670,367**	**758,955**	**13,324,423**	**573,478**	**40,327,223**
MONETARY LIABILITIES					
Trading liabilities	11,763	–	6,559	–	18,322
Derivative liabilities held for risk management	2,620	1,424	1,209	2,225	7,478
Deposits from banks	513,860	2,843	17,983	1,384	536,070
Deposits from customers	20,895,457	1,437,901	10,473,859	243,986	33,051,203
Loans from banks and other financial institutions	31,095	–	778,784	19	809,898
Derivatives – hedge accounting	–	–	1,433	–	1,433
Debt securities issued	512,458	–	–	–	512,458
Subordinated liabilities	–	–	681,759	173,919	855,678
Other liabilities	350,388	57,815	142,712	5,898	556,813
Total monetary liabilities	**22,317,641**	**1,499,983**	**12,104,298**	**427,431**	**36,349,353**
Net currency position	**3,352,726**	**(741,028)**	**1,220,125**	**146,047**	**3,977,870**

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

BANK

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2019 are presented below:

IN RON THOUSAND	RON	USD	EUR	OTHER	TOTAL
MONETARY ASSETS					
Cash and cash with Central Bank	3,164,444	28,293	3,278,316	35,003	6,506,056
Loans and advances to banks at amortised cost	155,861	3,948	38,010	3,183	201,002
Derivative assets held for risk management	504	–	8,282	57	8,843
Trading assets	370,925	–	32,006	–	402,931
Financial assets mandatorily at fair value through profit or loss	283,133	–	17,468	43,024	343,625
Investment securities at fair value through other comprehensive income	1,599,980	64,182	662,209	–	2,326,371
Equity instruments at fair value through other comprehensive income	12,674	49,228	–	–	61,902
Investment in subsidiaries, associates and joint ventures	97,953	–	–	–	97,953
Loans and advances to customers at amortised cost*	18,851,590	476,104	7,151,776	481,944	26,961,414
Fair value changes of the hedged items – hedge accounting	–	–	3,204	–	3,204
Investment securities at amortised cost	3,035,053	46,097	1,593,082	–	4,674,232
Other assets	374,140	1,329	36,029	26,422	437,920
Total monetary assets	**27,946,257**	**669,181**	**12,820,382**	**589,633**	**42,025,453**
MONETARY LIABILITIES					
Trading liabilities	11,465	–	3,626	–	15,091
Derivative liabilities held for risk management	11,525	8,184	5,595	–	25,304
Deposits from banks	304,672	298	3,365	335	308,670
Deposits from customers	22,166,925	1,422,953	11,959,187	253,245	35,802,310
Loans from banks and other financial institutions	33,088	–	9,162	19	42,269
Derivatives – hedge accounting	–	–	3,497	–	3,497
Other liabilities	347,020	58,099	495,652	2,826	903,597
Debt securities issued	480,617	–	–	–	480,617
Subordinated liabilities	–	–	408,645	–	408,645
Total monetary liabilities	**23,355,312**	**1,489,534**	**12,888,729**	**256,425**	**37,990,000**
Net currency position	**4,590,945**	**(820,353)**	**(68,347)**	**333,208**	**4,035,453**

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

BANK

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2018 are presented below:

IN RON THOUSAND	RON	USD	EUR	OTHER	TOTAL
MONETARY ASSETS					
Cash and cash with Central Bank	3,675,088	31,594	3,457,822	32,718	7,197,222
Trading assets	178,488	–	120,438	–	298,926
Derivative assets held for risk management	–	–	8,620	–	8,620
Loans and advances to banks at amortised cost	48,919	20,269	363,316	2,622	435,126
Financial assets mandatorily at fair value through profit or loss	310,101	–	16,159	42,248	368,508
Investment securities at fair value through other comprehensive income	2,541,116	114,577	548,614	–	3,204,307
Equity instruments at fair value through other comprehensive income	14,133	33,890	–	–	48,023
Investment in subsidiaries, associates and joint ventures	105,349	–	–	–	105,349
Loans and advances to customers at amortised cost*	17,141,450	509,076	7,244,651	494,792	25,389,969
Fair value changes of the hedged items – hedge accounting	–	–	1,124	–	1,124
Investment securities at amortised cost	1,484,694	45,044	778,334	–	2,308,072
Other assets	167,614	4,505	51,232	337	223,688
Total monetary assets	**25,666,952**	**758,955**	**12,590,310**	**572,717**	**39,588,934**
MONETARY LIABILITIES					
Trading liabilities	11,763	–	6,559	–	18,322
Derivative liabilities held for risk management	2,620	1,424	1,209	2,225	7,478
Deposits from banks	513,860	2,843	17,983	1,384	536,070
Deposits from customers	20,915,086	1,437,957	10,496,544	243,986	33,093,573
Loans from banks and other financial institutions	72,843	–	35,412	19	108,274
Derivatives – hedge accounting	–	–	1,433	–	1,433
Debt securities issued	516,179	–	–	–	516,179
Subordinated liabilities	–	–	681,759	173,919	855,678
Other liabilities	344,668	57,815	142,712	5,723	550,918
Total monetary liabilities	**22,377,019**	**1,500,039**	**11,383,611**	**427,256**	**35,687,925**
Net currency position	**3,289,933**	**(741,084)**	**1,206,699**	**145,461**	**3,901,009**

*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.

e) Operational risk

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

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

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

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

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

f) Capital management

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

Regulation (EU) no 575/2013 of the European Parliament and of the Council requires that the Group maintain a minimum Common Equity Tier 1 capital ratio of 4.5%, a minimum Tier 1 capital ratio of 6% and a minimum total capital ratio of 8%. The capital adequacy ratio is calculated dividing total Group's own funds to the total risk weighted assets (Note 43).

Capital allocation

a. Credit risk: Starting with July 1st, 2009, the method for the risk weighted assets applied by the Group is internal ratings based approach for Raiffeisen Bank non-retail exposures. Starting with December 1st, 2013, Raiffeisen Bank received National Bank of Romania approval for calculating capital requirements for credit risk related to retail portfolio using advanced internal ratings based approach (AIRB). For the subsidiaries portfolios the method used is the standard approach.
b. Market risk: The Group calculates the capital requirements for market risk and for the trading book using the standard model.
c. Operational Risk: Starting with 2010, the Group calculates the capital requirements for operational risk capital using the standard approach.

The Group complies with the regulatory requirements regarding capital adequacy as at 31 December 2019 and 2018, being above the minimum required values. For actual capital ratios, refer to Note 43.

6. USE OF ESTIMATES AND JUDGMENTS

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

Impairment allowance on loans and advances

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

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

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

First scenario assumes changes in loss given default and price guarantees for retail real estate portfolio for the entire portfolio, taking into account a variation of +/-5%. In this scenario the provision for loan impairment loss would have been increased by RON 36,004 thousand (2018: increased by RON 29,721 thousand) or decreased by RON 35,602 thousand (2018: decreased by RON 23,027 thousand).

Second scenario assumes PD variation of +/-5%. In this scenario the provision for loan impairment loss would have been increased by RON 17,483 thousand (2018: increased by 18,411 thousand RON) or decreased by RON 17,360 thousand (2018: decreased by RON 20,763 thousand).

Third scenario assumes aggregation assumptions of the previous scenarios. In this scenario the provision for loan impairment loss would have been increased by RON 13,291 thousand (2018: increased by RON 12,005 thousand) or decreased by RON 14,383 thousand (2018: decreased by RON 3,547 thousand).

Parameters change by +/-5% is done in relation to the values used in provision calculation for December 2019 figures (December 2018).

Fair value of financial instruments

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

Valuation of financial instruments

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

- Level 1: Quoted market price in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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 end 2019 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 December 2019 based on their specific characteristics like tenors, currencies and client types similar to the structure of the portfolio subject to the fair value calculation and current market yield.

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

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

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 2019	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	CARRYING AMOUNT
ASSETS						
Financial instruments measured at fair value						
Trading assets	18	393,461	9,470	–	402,931	402,931
out of which:						
Debt securities		393,461	–	–	393,461	393,461
Foreign exchange contracts		–	6,019	–	6,019	6,019
Interest rate swaps		–	3,451	–	3,451	3,451
Derivative assets held for risk management	19	–	8,843	–	8,843	8,843
Financial assets mandatorily at fair value through profit or loss	26	–	–	363,525	363,525	363,525
Investment securities at fair value through other comprehensive income	22	1,944,309	453,852	–	2,398,161	2,398,161
Equity instruments at fair value through other comprehensive income	23	–	49,228	12,674	61,902	61,902
Fair value changes of the hedged items – hedge accounting	27	–	3,204	–	3,204	3,204
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	6,506,880	–	–	6,506,880	6,506,880
Loans and advances to banks at amortised cost	20	204,500	–	–	204,500	207,307
Loans and advances to customers at amortised cost	21	–	–	27,973,986	27,973,986	27,593,634
Investment securities at amortised cost	24	5,038,060	–	–	5,038,060	4,952,776
Other assets	28	–	–	467,653	467,653	467,653
LIABILITIES						
Financial instruments measured at fair value						
Trading liabilities	18	–	15,091	–	15,091	15,091
Derivative liabilities held for risk management	19	–	25,304	–	25,304	25,304
Derivatives – hedge accounting	27	–	3,497	–	3,497	3,497
Financial instruments for which fair value is disclosed						
Deposits from banks	32	308,670	–	–	308,670	308,670
Deposits from customers	33	–	–	35,763,736	35,763,736	36,108,826
Loans from banks and other financial institutions	34	–	–	512,167	512,167	512,962
Debt securities issued	34	–	480,617	–	480,617	480,617
Subordinated liabilities	34	–	–	409,049	409,049	408,645
Other liabilities	35	–	–	914,721	914,721	914,721

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 2018	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	CARRYING AMOUNT
ASSETS						
Financial instruments measured at fair value						
Trading assets	18	281,435	17,610	–	299,045	299,045
out of which:						
Debt securities		281,435	–	–	281,435	281,435
Foreign exchange contracts		–	11,253	–	11,253	11,253
Interest rate swaps		–	6,357	–	6,357	6,357
Derivative assets held for risk management	19	–	8,620	–	8,620	8,620
Financial assets mandatorily at fair value through profit or loss	26	–	–	380,228	380,228	380,228
Investment securities at fair value through other comprehensive income	22	2,661,908	516,851	25,548	3,204,307	3,204,307
Equity instruments at fair value through other comprehensive income	23	–	33,890	14,133	48,023	48,023
Fair value changes of the hedged items – hedge accounting	27	1,124	–	–	1,124	1,124
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	7,197,230	–	–	7,197,230	7,197,230
Loans and advances to banks at amortised cost	20	437,854	–	–	437,854	437,854
Loans and advances to customers at amortised cost	21	–	–	26,496,747	26,496,747	26,144,360
Investment securities at amortised cost	24	2,334,204	–	243	2,334,447	2,333,367
Other assets	28	–	–	248,086	248,086	248,086
LIABILITIES						
Financial instruments measured at fair value						
Trading liabilities	18	–	18,322	–	18,322	18,322
Derivative liabilities held for risk management	19	–	7,478	–	7,478	7,478
Derivatives – hedge accounting	27	1,433	–	–	1,433	1,433
Financial instruments for which fair value is disclosed						
Deposits from banks	32	536,070	–	–	536,070	536,070
Deposits from customers	33	–	–	33,022,488	33,022,488	33,051,203
Loans from banks and other financial institutions	34	–	–	808,936	808,936	809,898
Debt securities issued	34	–	527,341	–	527,341	512,458
Subordinated liabilities	34	–	–	875,090	875,090	855,678
Other liabilities	35	–	–	556,812	556,812	556,812

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 31 DECEMBER 2019	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	CARRYING AMOUNT
ASSETS						
Financial instruments measured at fair value						
Trading assets	18	393,461	9,470	–	402,931	402,931
out of which:						
Debt securities		393,461	–	–	393,461	393,461
Foreign exchange contracts		–	6,019	–	6,019	6,019
Interest rate swaps		–	3,451	–	3,451	3,451
Derivative assets held for risk management	19	–	8,843	–	8,843	8,843
Financial assets mandatorily at fair value through profit or loss	26	–	–	343,625	343,625	343,625
Investment securities at fair value through other comprehensive income	22	1,872,519	453,852	–	2,326,371	2,326,371
Equity instruments at fair value through other comprehensive income	23	–	49,228	12,674	61,902	61,902
Fair value changes of the hedged items – hedge accounting	27	–	3,204	–	3,204	3,204
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	6,506,056	–	–	6,506,056	6,506,056
Loans and advances to banks at amortised cost	20	201,002	–	–	201,002	201,002
Loans and advances to customers at amortised cost	21	–	–	27,434,566	27,434,566	26,961,414
Investment securities at amortised cost	24	4,759,516	–	–	4,759,516	4,674,232
Other assets	28	–	–	437,920	437,920	437,920
LIABILITIES						
Financial instruments measured at fair value						
Trading liabilities	18	–	15,091	–	15,091	15,091
Derivative liabilities held for risk management	19	–	25,304	–	25,304	25,304
Derivatives – hedge accounting	27	–	3,497	–	3,497	3,497
Financial instruments for which fair value is disclosed						
Deposits from banks	32	308,670	–	–	308,670	308,670
Deposits from customers	33	–	–	35,781,293	35,781,293	35,802,310
Loans from banks and other financial institutions	34	–	–	41,474	41,474	42,269
Debt securities issued	34	–	480,617	–	480,617	480,617
Subordinated liabilities	34	–	–	409,049	409,049	408,645
Other liabilities	35	–	–	903,597	903,597	903,597

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

BANK

IN RON THOUSAND 31 DECEMBER 2018	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	CARRYING AMOUNT
ASSETS						
Financial instruments measured at fair value						
Trading assets	18	281,316	17,610	–	298,926	298,926
out of which:						
Debt securities		281,316	–	–	281,316	281,316
Foreign exchange contracts		–	11,253	–	11,253	11,253
Interest rate swaps		–	6,357	–	6,357	6,357
Derivative assets held for risk management	19	–	8,620	–	8,620	8,620
Financial assets mandatorily at fair value through profit or loss	26	–	–	368,508	368,508	368,508
Investment securities at fair value through other comprehensive income	22	2,661,908	516,851	25,548	3,204,307	3,204,307
Equity instruments at fair value through other comprehensive income	23	–	33,890	14,133	48,023	48,023
Fair value changes of the hedged items – hedge accounting	27	1,124	–	–	1,124	1,124
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	7,197,222	–	–	7,197,222	7,197,222
Loans and advances to banks at amortised cost	20	435,126	–	–	435,126	435,126
Loans and advances to customers at amortised cost	21	–	–	25,742,352	25,742,352	25,389,969
Investment securities at amortised cost	24	2,309,681	–	–	2,309,681	2,308,071
Mutual funds		–	–	–	–	–
Other assets	28	–	–	223,689	223,689	223,689
LIABILITIES						
Financial instruments measured at fair value						
Trading liabilities	18	–	18,322	–	18,322	18,322
Derivative liabilities held for risk management	19	–	7,478	–	7,478	7,478
Derivatives – hedge accounting	27	1,433	–	–	1,433	1,433
Financial instruments for which fair value is disclosed						
Deposits from banks	32	536,070	–	–	536,070	536,070
Deposits from customers	33	–	–	33,064,858	33,064,858	33,093,573
Loans from banks and other financial institutions	34	–	–	107,311	107,311	108,274
Debt securities issued	34	–	531,163	–	531,163	516,179
Subordinated liabilities	34	–	–	875,090	875,090	855,678
Other liabilities	35	–	–	550,918	550,918	550,918

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2019

The below table presents the measurements categories for financial instruments:

GROUP

IN RON THOUSAND	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
31 DECEMBER 2019							
FINANCIAL ASSETS							
Cash and cash with Central Bank	17	–	–	–	6,506,880	6,506,880	6,506,880
Trading assets	18	402,931	–	–	–	402,931	402,931
Derivative assets held for risk management	19	8,843	–	–	–	8,843	8,843
Financial assets mandatorily at fair value through profit or loss	26	–	363,525	–	–	363,525	363,525
Loans and advances to banks at amortised cost	20	–	–	–	207,307	207,307	204,500
Loans and advances to customers at amortised cost	21	–	–	–	27,593,634	27,593,634	27,973,986
Fair value changes of the hedged items – hedge accounting	27	3,204	–	–	–	3,204	3,204
Investment securities	22,24	–	–	2,460,062	4,952,777	7,412,838	7,498,170
Other assets	28	–	–	–	467,653	467,653	467,653
Total financial assets		**414,978**	**363,525**	**2,460,062**	**39,728,251**	**42,966,816**	**43,115,757**
FINANCIAL LIABILITIES							
Trading liabilities	18	15,091	–	–	–	15,091	15,091
Derivative liabilities held for risk management	19	25,304	–	–	–	25,304	25,304
Derivatives – hedge accounting	27	3,497	–	–	–	3,497	3,497
Deposits from banks	32	–	–	–	308,670	308,670	308,670
Deposits from customers	33	–	–	–	36,108,826	36,108,826	35,763,736
Loans from banks and other financial institutions	34	–	–	–	512,962	512,962	512,167
Debt securities issued	34	–	–	–	480,617	480,617	480,617
Subordinated liabilities	34	–	–	–	408,645	408,645	409,049
Other liabilities	35	–	–	–	914,721	914,721	914,721
Total financial liabilities		**43,892**	**–**	**–**	**38,734,441**	**38,778,333**	**38,432,852**

The below table presents the measurements categories for financial instruments:

GROUP

IN RON THOUSAND 31 DECEMBER 2018	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 equivalents	17	–	–	–	7,197,230	7,197,230	7,197,230
Trading assets	18	299,045	–	–	–	299,045	299,045
Derivative assets held for risk management	19	8,620	–	–	–	8,620	8,620
Financial assets mandatorily at fair value through profit or loss	26	–	380,228	–	–	380,228	380,228
Loans and advances to banks at amortised cost	20	–	–	–	437,854	437,854	437,854
Loans and advances to customers at amortised cost	21	–	–	–	26,144,360	26,144,360	26,496,747
Fair value changes of the hedged items – hedge accounting	27	1,124	–	–	–	1,124	1,124
Investment securities	22-24	–	–	3,252,330	2,333,367	5,585,697	5,586,777
Other assets	28	–	–	–	248,086	248,086	248,086
Total financial assets		**308,789**	**380,228**	**3,252,330**	**36,360,897**	**40,302,244**	**40,655,711**
FINANCIAL LIABILITIES							
Trading liabilities	18	18,322	–	–	–	18,322	18,322
Derivative liabilities held for risk management	19	7,478	–	–	–	7,478	7,478
Derivatives – hedge accounting	27	1,433	–	–	–	1,433	1,433
Deposits from banks	32	–	–	–	536,070	536,070	536,070
Deposits from customers	33	–	–	–	33,051,203	33,051,203	33,022,488
Loans from banks and other financial institutions	34	–	–	–	809,898	809,898	808,936
Debt securities issued	34	–	–	–	512,458	512,458	527,341
Subordinated liabilities	34	–	–	–	855,678	855,678	875,090
Other Liabilities	35	–	–	–	556,812	556,812	556,812
Total financial liabilities		**27,233**	**–**	**–**	**36,322,119**	**36,349,352**	**36,353,970**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2019

The below table presents the measurements categories for financial instruments:

BANK

IN RON THOUSAND 31 DECEMBER 2019	NOTE	HELD FOR TRADING	MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	AMORTISED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
FINANCIAL ASSETS							
Cash and cash with Central Bank	17	–	–	–	6,506,056	6,506,056	6,506,056
Trading assets	18	402,931	–	–	–	402,931	402,931
Derivative assets held for risk management	19	8,843	–	–	–	8,843	8,843
Financial assets mandatorily at fair value through profit or loss	26	–	343,625	–	–	343,625	343,625
Loans and advances to banks at amortised cost	20	–	–	–	201,002	201,002	201,002
Loans and advances to customers at amortised cost	21	–	–	–	26,961,414	26,961,414	27,434,566
Fair value changes of the hedged items – hedge accounting	27	3,204	–	–	–	3,204	3,204
Investment securities	22,24	–	–	2,388,273	4,674,232	7,062,505	7,147,788
Other assets	28	–	–	–	437,920	437,920	437,920
Total financial assets		**414,978**	**343,625**	**2,388,273**	**38,780,624**	**41,927,500**	**42,485,935**
FINANCIAL LIABILITIES							
Trading liabilities	18	15,091	–	–	–	15,091	15,091
Derivative liabilities held for risk management	19	25,304	–	–	–	25,304	25,304
Derivatives – hedge accounting	27	3,497	–	–	–	3,497	3,497
Deposits from banks	32	–	–	–	308,670	308,670	308,670
Deposits from customers	33	–	–	–	35,802,310	35,802,310	35,781,293
Loans from banks and other financial institutions	34	–	–	–	42,269	42,269	41,474
Debt securities issued	34	–	–	–	480,617	480,617	480,617
Subordinated liabilities	34	–	–	–	408,645	408,645	409,049
Other liabilities	35	–	–	–	903,597	903,597	903,597
Total financial liabilities		**43,892**	**–**	**–**	**37,946,108**	**37,990,000**	**37,968,592**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2019

The below table presents the measurements categories for financial instruments:

BANK

IN RON THOUSAND 31 DECEMBER 2018	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 equivalents	17	–	–	–	7,197,222	7,197,222	7,197,222
Trading assets	18	298,926	–	–	–	298,926	298,926
Derivative assets held for risk management	19	8,620	–	–	–	8,620	8,620
Financial assets mandatorily at fair value through profit or loss	26	–	368,508	–	–	368,508	368,508
Loans and advances to banks at amortised cost	20	–	–	–	435,126	435,126	435,126
Loans and advances to customers at amortised cost	21	–	–	–	25,389,969	25,389,969	25,742,352
Fair value changes of the hedged items – hedge accounting	27	1,124	–	–	–	1,124	1,124
Investment securities	22,24	–	–	3,252,330	2,308,071	5,560,401	5,562,011
Other assets	28	–	–	–	223,689	223,689	223,689
Total financial assets		**308,670**	**368,508**	**3,252,330**	**35,554,077**	**39,483,585**	**39,837,578**
FINANCIAL LIABILITIES							
Trading liabilities	18	18,322	–	–	–	18,322	18,322
Derivative liabilities held for risk management	19	7,478	–	–	–	7,478	7,478
Derivatives – hedge accounting	27	1,433	–	–	–	1,433	1,433
Deposits from banks	32	–	–	–	536,070	536,070	536,070
Deposits from customers	33	–	–	–	33,093,573	33,093,573	33,064,858
Loans from banks and other financial institutions	34	–	–	–	108,274	108,274	107,311
Debt securities issued	34	–	–	–	516,179	516,179	531,163
Subordinated liabilities	34	–	–	–	855,678	855,678	875,090
Other Liabilities	35	–	–	–	550,918	550,918	550,918
Total financial liabilities		**27,233**	**–**	**–**	**35,660,692**	**35,687,925**	**35,692,643**

8. NET INTEREST INCOME

	GROUP		BANK	
IN RON THOUSAND	2019	2018	2019	2018
INTEREST INCOME				
Interest and similar income arising from:				
Current accounts and loans and advances to banks	18,987	24,098	19,009	27,456
Loans and advances to customers (i)	1,682,293	1,517,678	1,684,668	1,517,678
Investments measured at fair value through other comprehensive income	76,055	60,343	75,216	60,343
Investments securities measured at amortised cost	98,859	45,743	91,933	44,764
Negative interest on financial liabilities	120	(17,655)	120	(17,655)
Finance leasing activity	44,527	44,912	–	–
Total interest income	**1,920,841**	**1,675,119**	**1,870,946**	**1,632,586**
INTEREST EXPENSE AND SIMILAR CHARGES				
Interest expense and similar charges arising from:				
Deposits from banks	(5,974)	(2,276)	(5,974)	(2,276)
Deposits from customers	(81,305)	(71,435)	(78,969)	(62,044)
Debt securities issued	(10,054)	(26,710)	(10,054)	(26,710)
Loans from banks and subordinated liabilities	(49,891)	(41,436)	(42,603)	(41,583)
Leasing	(3,742)	–	(3,633)	–
Negative interest on financial assets	(10,571)	–	(10,571)	–
Total interest expense	**(161,537)**	**(141,857)**	**(151,804)**	**(132,613)**
Net interest income	**1,759,304**	**1,533,262**	**1,719,142**	**1,499,973**

(i) The amount of interest income from impaired loans amounts to RON 30,638 thousand (31 December 2018: RON 38,291 thousand).

9. NET FEE AND COMMISSION INCOME

	GROUP		BANK	
IN RON THOUSAND	2019	2018	2019	2018
FEE AND COMMISSION INCOME				
Transactions from payments transfer business	645,555	637,768	645,555	637,770
Loans administration and guarantee issuance	67,491	62,326	66,700	62,326
Asset management fee (i)	46,724	48,107	–	–
Commissions from insurance premium collections(ii)	49,314	63,281	49,314	63,281
Finance leasing activity	9,507	8,559	–	–
Commissions for buying/selling cash	2,400	1,437	2,401	1,437
Other (iii)	14,425	18,265	19,401	52,851
Total fee and commission income	**835,416**	**839,743**	**783,371**	**817,665**
FEES AND COMMISSIONS EXPENSE				
Commissions for payment transfers	(236,034)	(191,603)	(236,034)	(191,598)
Loan and guarantees received from banks	(12,790)	(8,828)	(12,790)	(8,779)
For securities business	(2,738)	(168)	(785)	(784)
Other	(112)	(13)	–	(13)
Total fee and commission expense	**(251,674)**	**(200,612)**	**(249,609)**	**(201,174)**
Net fee and commission income	**583,742**	**639,131**	**533,762**	**616,491**

(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 part of the premiums 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 2019	GROUP 2018	BANK 2019	BANK 2018
NET TRADING INCOME FROM:				
Currency based instruments (i), out of which:	336,666	357,233	336,581	357,419
Gain/(loss) from foreign exchange derivative transactions	(17,254)	10,120	(17,212)	9,804
Net gain on revaluation of monetary assets and foreign currency transactions	353,920	347,113	353,793	347,615
Interest rate instruments (ii), out of which:	(3,854)	810	(3,854)	569
Net trading result from government securities and corporate debt securities	10,205	3,420	10,205	3,420
Interest rate swaps gain/(loss)	(14,059)	(2,610)	(14,059)	(2,851)
Net trading income	**332,812**	**358,043**	**332,727**	**357,988**

(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 2019	GROUP 2018	BANK 2019	BANK 2018
Reversal of litigation provision	–	622	–	622
Revenues from additional leasing services	3,525	2,115	–	–
Reversal of other provisions	2,111	9,897	2,015	9,897
Dividend income	1,665	2,014	7,460	8,403
Revenues from IT services	2,306	2,530	2,306	2,530
Income from repossessed assets	585	1,270	585	1,270
Sundry income (i)	15,501	8,081	17,343	9,151
Total	**25,693**	**26,529**	**29,709**	**31,873**

(i)The increase in sundry income is mainly due to one-off events, such as: unused and expired loyalty points offered to customers using cards, various recoveries on sundry debtors previously written-off, liabilities of the Bank which reached the prescription term and were derecognised etc.

12. OPERATING EXPENSES

	GROUP		BANK	
IN RON THOUSAND	2019	2018	2019	2018
Rental of office space expenses (i)	60,268	155,723	59,308	154,038
IT repairs and maintenance	99,819	93,282	97,428	91,396
Depreciation and amortization (ii)	230,119	117,313	228,379	115,870
Bank levies (iii)	47,000	–	47,000	–
Deposit insurance fees (iv)	39,535	11,588	39,535	11,588
Resolution fund fee (v)	18,430	15,959	18,430	15,959
Security expenses	97,216	95,506	97,188	95,506
Advertising	79,626	76,100	77,990	74,871
Charge of litigation provision (iv)	70,945	–	70,945	–
Legal, advisory and consulting expenses	57,590	50,244	55,141	49,061
Postal and telecommunication expenses	38,687	34,347	38,163	33,818
Office supplies	24,614	29,474	24,467	29,342
Sundry operating expenses	22,424	17,363	19,199	16,449
Charge of other provisions	27,545	20,777	25,666	20,777
Training expenses for staff	21,563	15,328	21,277	14,910
Travelling expenses	1,337	8,099	1,068	7,813
Transport costs	4,276	5,699	3,813	5,193
Other taxes	7,228	7,314	5,407	6,063
Total	**948,222**	**754,116**	**930,404**	**742,654**

(i) According to IFRS 16, the Group, as a lessee, applies a single accounting model for all its leases. As a result, the rental expense for leases in scope of IFRS no longer exists in 2019 and is replaced by the amortisation of the "right-of-use assets". The amounts under "Office space expenses" include, in 2019, mainly cleaning, security expenses and the VAT related to the rental paid invoices.

(ii) The depreciation expense increase in 2019 is related to the right-of-use assets in amount of RON 92,998 thousand (2018: nil).

(iii) The banking tax is applicable for 2019 financial year. The basis of calculation represents the net financial assets balance at the end of the semester / year, less certain asset classes (such as cash, non-performing exposures etc). The tax was further reduced based on meeting the benchmark regarding the increase in the loan portfolio balance. The accounting treatment, according to IFRIC 21 requires that the expense is recognised one-off on 31 December, while the amount paid for the semester is recognised as "advance payment".

(iv) 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.

(v) 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.

(vi) Under the caption "Charge of litigation provision" the Group presents the expense with legal disputes, as further disclosed in note 36 Provisions.

Group: The expense with statutory audit of financial statements as at December 31, 2019 was in amount of RON 947 thousand (December 31, 2018: RON 769 thousand), the expense with assurance services as at December 31, 2019 was in amount of RON 852 thousand (December 31, 2018: RON 1,051 thousand), and the expense with non-assurance services as at December 31, 2019 was in amount of RON 604 thousand (December 31, 2018: RON 1,153 thousand).

Bank: The expense with statutory audit of financial statements as at December 31, 2019 was in amount of RON 749 thousand (December 31, 2018: RON 663 thousand), the expense with assurance services as at December 31, 2019 was in amount of RON 701 thousand (December 31, 2018: RON 761 thousand), and the expense with non-assurance services as at December 31, 2019 was in amount of RON 604 thousand (December 31, 2018: RON 1,153 thousand).

13. PERSONNEL EXPENSES

	GROUP		BANK	
IN RON THOUSAND	**2019**	**2018**	**2019**	**2018**
Salary expense (i)	561,212	549,241	536,742	528,005
Social contributions	18,474	22,311	17,671	21,663
Other staff expenses	25,065	26,754	24,140	26,011
Long term employee benefits (ii)	3,270	1,557	3,217	1,493
Total	**608,021**	**599,863**	**581,770**	**577,172**

(i) Out of the total salary expense, the Group has recorded in 2019 RON 4,123 thousand, representing contribution for employees to Pillar 3 pension plan (2018: RON 4,040 thousand).
ii) The long term benefits for employees also include the provision for benefits granted on retirement as a one-off compensation and deferred performance bonus. Out of the total long term employee benefits, the Group has recorded in 2019 RON 36 thousand, representing the expense for share incentive plan (2018: RON 246 thousand).

The number of employees at Group level as at 31 December 2019 was 4,962 (31 December 2018: 5,075).
The number of employees at Bank level as at 31 December 2019 was 4,845 (31 December 2018: 4,968).

14. NET CHARGE OF PROVISION FOR IMPAIRMENT LOSSES

GROUP

							31 DECEMBER 2019
IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
NON-RETAIL							
Loans and advances to banks at amortised cost	2	–	–	–	–	–	2
Loans and advances to customers at amortised cost	159	8,271	–	34,703	791	(9,815)	43,133
Loan commitments and financial guarantees	(709)	4,352	–	(1,425)	–	–	2,218
Investment securities at amortised cost	114	–	–	–	–	–	114
Loans written-off	86	20	–	9,830	–	–	9,936
Recoveries from loans and advances to customers	–	–	–	(6,834)	–	–	(6,834)
Total non-retail	**(348)**	**12,643**	**–**	**36,274**	**791**	**(9,815)**	**48,569**
RETAIL							
Loans and advances to customers at amortised cost	42,183	(39,490)	153,549	–	3,331	(39,934)	156,242
Loan commitments and financial guarantees	552	(1,319)	5,697	–	–	–	4,929
Loans written-off	86	3,648	47,528	–	–	–	51,262
Recoveries from loans and advances to customers	–	–	(84,573)	–	–	–	(84,573)
Total retail	**42,821**	**(37,161)**	**122,201**	**–**	**3,331**	**(39,934)**	**127,860**

GROUP

							31 DECEMBER 2018
IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
NON-RETAIL							
Loans and advances to customers at amortised cost	20,671	3,011	–	31,533	955	4,694	55,215
Loan commitments and financial guarantees	4,321	267	–	23,951	–	–	28,539
Loans written-off	150	759	–	4,309	–	–	5,218
Recoveries from loans and advances to customers	–	(148)	–	(7,262)	–	–	(7,410)
Total non-retail	**25,142**	**3,889**	**–**	**52,531**	**955**	**4,694**	**81,562**
RETAIL							
Loans and advances to customers at amortised cost	(1,460)	(36,494)	173,698	–	(5,130)	574	135,744
Loan commitments and financial guarantees	–	(187)	(257)	–	–	–	(444)
Loans written-off	436	1,052	32,399	–	–	–	33,887
Recoveries from loans and advances to customers	(7)	(98)	(74,520)	–	–	–	(74,625)
Total retail	**(1,031)**	**(35,727)**	**131,320**	**–**	**(5,130)**	**574**	**94,562**

BANK

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
							31 DECEMBER 2019
NON-RETAIL							
Loans and advances to banks at amortised cost	2	–	–	–	–	–	2
Investment in subsidiaries, associates and joint ventures	–	–	–	16,868	–	–	16,868
Loans and advances to customers at amortised cost	1,600	8,817	–	32,098	791	(9,815)	42,515
Loan commitments and financial guarantees	(709)	4,352	–	(1,425)	–	–	2,218
Investment securities at amortised cost	114	–	–	–	–	–	114
Loans written-off	86	20	–	5,152	–	–	5,258
Recoveries from loans and advances to customers	–	–	–	(6,753)	–	–	(6,753)
Total non-retail	**1,093**	**13,189**	**–**	**45,940**	**791**	**(9,815)**	**60,222**
RETAIL							
Loans and advances to customers at amortised cost	42,174	(39,488)	152,774	–	3,331	(39,934)	155,460
Loan commitments and financial guarantees	552	(1,319)	5,696	–	–	–	4,930
Loans written-off	86	3,648	47,528	–	–	–	51,262
Recoveries from loans and advances to customers	–	–	(84,833)	–	–	–	(84,833)
Total retail	**42,812**	**(37,159)**	**121,165**	**–**	**3,853**	**(6,168)**	**126,818**

BANK

							31 DECEMBER 2018
IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
NON-RETAIL							
Loans and advances to customers at amortised cost	18,909	2,591	–	31,657	955	4,694	53,157
Loan commitments and financial guarantees	4,321	267	–	23,951	–	–	28,539
Loans written-off	150	759	–	4,309	–	–	5,218
Recoveries from loans and advances to customers	–	(148)	–	(6,782)	–	–	(6,930)
Total non-retail	**23,380**	**3,469**	**–**	**53,135**	**955**	**4,694**	**79,984**
RETAIL							
Loans and advances to customers at amortised cost	(1,460)	(36,494)	173,698	–	(5,130)	574	135,744
Loan commitments and financial guarantees	–	(187)	(257)	–	–	–	(444)
Loans written-off	436	1,052	32,399	–	–	–	33,887
Recoveries from loans and advances to customers	(7)	(98)	(74,520)	–	–	–	(74,625)
Total retail	**(1,031)**	**(35,727)**	**131,320**	**–**	**(5,130)**	**574**	**94,562**

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 2019 is RON 274,268 thousand (31 December 2018: RON 129,395 thousand), out of which non-retail exposures in amount of RON 180,656 thousand (31 December 2018: RON 65,823 thousand) and retail exposures in amount of RON 93,612 thousand (31 December 2019: RON 63,572 thousand).

15. INCOME TAX EXPENSE

	GROUP		BANK	
IN RON THOUSAND	2019	2018	2019	2018
Current tax expenses at 16% (2018:16%) of taxable profits determined in accordance with Romanian law	193,569	189,949	185,453	184,855
Adjustments recognized in the period for current tax of prior periods	(9,196)	–	(9,196)	–
Deferred tax expense / (income) (Note 29)	3,297	(16,413)	4,120	(14,883)
Total	**187,670**	**173,536**	**180,377**	**169,972**

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

	GROUP		BANK	
IN RON THOUSAND	2019	2018	2019	2018
Gross profit before tax	1,022,380	1,068,911	959,832	1,051,059
Taxation at statutory rate of 16% (2018: 16%)	**163,581**	**171,026**	**153,573**	**168,169**
Non-deductible expenses	69,312	55,519	68,176	53,907
Non-taxable revenues	(27,864)	(23,560)	(25,027)	(24,185)
Corporate income tax before fiscal credit	**205,029**	**202,985**	**196,722**	**197,891**
Fiscal credit	(11,460)	(13,036)	(11,269)	(13,036)
Adjustments recognized in the period for current tax of prior periods (i)	(9,196)	–	(9,196)	–
Corporate income tax	**184,373**	**189,949**	**176,257**	**184,855**
Deferred tax expense / (income)	3,297	(16,413)	4,120	(14,883)
Income tax expense	**187,670**	**173,536**	**180,377**	**169,972**

(i) The adjustments recognized in the period for current tax of prior periods represent corrections on income tax statement related to year 2018 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	
IN RON THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018	31 DECEMBER 2019	31 DECEMBER 2018
Cash on hand	2,701,387	4,235,697	2,700,563	4,235,689
Minimum compulsory reserve	3,805,493	2,961,533	3,805,493	2,961,533
Total	**6,506,880**	**7,197,230**	**6,506,056**	**7,197,222**

The Bank maintains with the National Bank of Romania the minimum compulsory reserve established under Regulation no. 6/2002 issued by the National Bank of Romania, with subsequent amendments and addendums. As of 31 December 2019, the mandatory minimum reserve ratio was 8% (31 December 2018: 8%) for funds raised in RON and 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 2018: 0%).

The minimum compulsory reserve can be used by the Group for daily activities but under the condition that the monthly average balance of the minimum compulsory reserve is kept within the legal limits.

18. TRADING ASSETS / LIABILITIES

	GROUP		BANK	
IN RON THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018	31 DECEMBER 2019	31 DECEMBER 2018
TRADING ASSETS				
Debt instruments	393,461	281,435	393,461	281,316
Derivative financial instruments	9,470	17,610	9,470	17,610
Total	**402,931**	**299,045**	**402,931**	**298,926**
TRADING LIABILITIES				
Derivative financial instruments	15,091	18,322	15,091	18,322
Total	**15,091**	**18,322**	**15,091**	**18,322**

19. DERIVATIVES HELD FOR RISK MANAGEMENT

GROUP

31 DECEMBER 2019	NOTIONAL	NOTIONAL		FAIR VALUE
IN RON THOUSAND	BUY	SELL	ASSETS	LIABILITIES
OTC PRODUCTS:				
Cross currency Interest rate swaps	150,023	140,687	8,282	533
FX swap	1,609,448	1,618,183	561	9,619
Interest rate swaps	99,083	99,083	–	15,152
Total			**8.843**	**25.304**

31 DECEMBER 2018	NOTIONAL	NOTIONAL		FAIR VALUE
IN RON THOUSAND	BUY	SELL	ASSETS	LIABILITIES
OTC PRODUCTS:				
Cross currency Interest rate swaps	169,721	162,987	8,533	277
FX swap	730,838	733,775	87	3,649
Interest rate swaps	275,253	275,253	–	3,552
Total			**8,620**	**7,478**

BANK

31 DECEMBER 2019	NOTIONAL	NOTIONAL		FAIR VALUE
IN RON THOUSAND	BUY	SELL	ASSETS	LIABILITIES
OTC PRODUCTS:				
Cross currency Interest rate swaps	150,023	140,687	8,282	533
FX swap	1,609,448	1,618,183	561	9,619
Interest rate swaps	99,083	99,083	–	15,152
Total			**8,843**	**25,304**

31 DECEMBER 2018	NOTIONAL	NOTIONAL		FAIR VALUE
IN RON THOUSAND	BUY	SELL	ASSETS	LIABILITIES
OTC PRODUCTS:				
Cross currency Interest rate swaps	169,721	162,987	8,533	277
FX swap	730,838	733,775	87	3,649
Interest rate swaps	275,253	275,253	–	3,552
Total			**8,620**	**7,478**

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

The Group implemented in 2018 hedge accounting for its currency and interest rate derivative contracts.

The fair value of derivative financial instruments is determined by discounted cash flow models using the market quotations at the valuation date.

Foreign exchange transactions are measured by discounted future models using the market rates from Reuters and the fixing price of National Bank of Romania.

20. LOANS AND ADVANCES TO BANKS AT AMORTISED COST

	GROUP		BANK	
IN RON THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018	31 DECEMBER 2019	31 DECEMBER 2018
Refundable at request	24,477	44,093	21,177	41,574
Sight deposits	91,022	351,416	88,017	351,207
Term deposits	91,808	42,345	91,808	42,345
Total	**207,307**	**437,854**	**201,002**	**435,126**

Group: As at 31 December 2019, out of the total term deposits, term deposits held with commercial banks are in amount of RON 65,774 thousand (2018: RON 41,156 thousand) and collateral deposits are in amount of RON 26,034 thousand (2018: RON 1,189 thousand).

Bank: As at 31 December 2019, out of the total term deposits, term deposits held with commercial banks are in amount of RON 65,774 thousand (2018: RON 41,156 thousand) and collateral deposits are in amount of RON 26,034 thousand (2018: RON 1,189 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:

	GROUP		BANK	
IN RON THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018	31 DECEMBER 2019	31 DECEMBER 2018
NON-RETAIL				
Gross exposure	11,940,677	12,119,488	11,787,024	11,710,647
Impairment allowance	(294,061)	(314,117)	(275,877)	(291,848)
Net exposure	11,646,616	11,805,371	11,511,147	11,418,799
RETAIL				
Gross exposure	16,780,503	15,028,580	16,267,669	14,651,824
Impairment allowance	(833,485)	(689,591)	(817,402)	(680,654)
Net exposure	15,947,018	14,338,989	15,450,267	13,971,170
Total net exposure	**27,593,634**	**26,144,360**	**26,961,414**	**25,389,969**

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

GROUP

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	2019 TOTAL
NON-RETAIL						
Gross carrying amount as at 1 January 2019	11,093,711	607,233	418,544	42,913	83,371	12,119,488
New assets originated or purchased	8,852,081	341,749	84,581	–	10,895	9,278,411
Assets derecognised or repaid (excluding write-offs)	(8,915,894)	(445,758)	(185,338)	(1,539)	(44,600)	(9,546,990)
Transfers to Stage 1	578,189	(578,189)	–	–	–	–
Transfers to Stage 2	(1,385,578)	1,385,578	–	–	–	–
Transfers to Stage 3	(45,247)	(36,508)	81,755	–	–	–
Reclassification Retail to Non-Retail	13,566	–	–	–	–	13,566
Accrued interest	–	–	22,211	–	1,072	22,211
Decrease due to write-offs	–	–	(75,945)	–	–	(75,945)
Foreign exchange adjustments	122,027	3,608	4,301	–	859	129,936
Total non-retail gross carrying amount as at 31 December 2019	**10,312,855**	**1,277,713**	**350,109**	**41,374**	**51,597**	**11,940,677**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIV	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
RETAIL						
Gross carrying amount as at 1 January 2019	12,328,789	1,980,575	719,216	95,961	115,598	15,028,580
New assets originated or purchased	6,420,738	95,387	424,917	36,423	2,189	6,941,042
Assets derecognised or repaid (excluding write-offs)	(3,765,251)	(805,371)	(695,068)	(5,275)	(35,496)	(5,265,690)
Transfers to Stage 1	2,,944,648	(2,924,353)	(20,295)	–	–	–
Transfers to Stage 2	(4,053,594)	4,355,529	(301,935)	58,665	(58,665)	–
Transfers to Stage 3	(69,559)	(657,550)	727,109	(44,014)	44,014	–
Reclassification Retail to Non-Retail	14	3,131	53,293	3,046	8,278	56,438
Accrued interest	(13,566)	–	–	–	–	(13,566)
Decrease due to write-offs	–	–	(58,958)	–	–	(58,958)
Foreign exchange adjustments	43,649	39,528	9,480	3,095	1,882	92,657
Total retail gross carrying amount as at 31 December 2019	**13,835,868**	**2,086,876**	**857,759**	**147,901**	**77,800**	**16,780,503**
Total gross carrying amount	**24,148,723**	**3,364,589**	**1,207,868**	**189,275**	**129,397**	**28,721,180**

GROUP

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
						2018
NON-RETAIL						
Gross carrying amount as at 1 January 2018	8,451,938	375,640	347,255	–	91,878	9,174,833
New assets originated or purchased	9,575,630	246,903	99,782	43,956	5,106	9,922,315
Assets derecognised or repaid (excluding write-offs)	(6,634,426)	(311,641)	(26,907)	(1,043)	(13,624)	(6,972,974)
Transfers to Stage 1	137,973	(137,973)	–	–	–	–
Transfers to Stage 2	(451,746)	471,369	(19,623)	–	–	–
Transfers to Stage 3	(9,260)	(37,337)	46,597	–	–	–
Decrease due to write-offs	–	–	(28,631)	–	–	(28,631)
Foreign exchange adjustments	23,602	272	71	–	11	23,945
Total non-retail gross carrying amount as at 31 December 2018	**11,093,711**	**607,233**	**418,544**	**42,913**	**83,371**	**12,119,488**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
RETAIL						
Gross carrying amount as at 1 January 2018	10,931,022	1,901,041	753,691	106,782	127,521	13,585,754
New assets originated or purchased	5,901,935	126,148	30,484	739	5,387	6,058,567
Assets derecognised or repaid (excluding write-offs)	(3,494,794)	(716,850)	(245,186)	(8,172)	(22,975)	(4,456,830)
Transfers to Stage 1	2,432,571	(2,553,541)	(8,228)	–	–	(129,198)
Transfers to Stage 2	(3,436,627)	3,551,100	(114,473)	9,367	(9,367)	–
Transfers to Stage 3	(16,291)	(338,451)	354,742	(14,232)	14,232	–
Decrease due to write-offs	–	–	(56,729)	–	–	(56,729)
Foreign exchange adjustments	10,973	11,128	4,915	1,477	800	27,016
Total retail gross carrying amount as at 31 December 2018	**12,328,789**	**1,980,575**	**719,216**	**95,961**	**115,598**	**15,028,580**
Total gross carrying amount	**23,422,500**	**2,587,808**	**1,137,760**	**138,874**	**198,969**	**27,148,068**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2019

BANK

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
						2019
NON-RETAIL						
Gross carrying amount as at 1 January 2019	10,760,997	556,846	392,804	42,913	83,371	11,710,647
New assets originated or purchased	8,957,272	334,851	83,079	–	10,895	9,375,202
Assets derecognised or repaid (excluding write-offs)	(8,784,159)	(419,632)	(177,770)	(1,539)	(44,600)	(9,381,561)
Transfers to Stage 1	560,393	(560,393)	–	–	–	–
Transfers to Stage 2	(1,350,873)	1,350,873	–	–	–	–
Transfers to Stage 3	(39,191)	(34,769)	73,960	–	–	–
Accrued interest	–	–	22,211	–	1,072	22,211
Decrease account due to write-offs	–	–	(69,411)	–	–	(152,927)
Foreign exchange adjustments	122,027	3,608	4,301	–	859	129,936
Total non-retail gross carrying amount as at 31 December 2019	**10,226,466**	**1,231,384**	**329,174**	**41,374**	**51,597**	**11,787,024**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
RETAIL						
Gross carrying amount as at 1 January 2019	11,969,993	1,974,962	706,869	95,961	115,598	14,651,824
New assets originated or purchased	6,140,905	92,742	419,637	36,423	2,189	6,653,284
Assets derecognised or repaid (excluding write-offs)	(3,645,805)	(803,897)	(678,010)	(5,275)	(35,496)	(5,127,712)
Transfers to Stage 1	2,944,352	(2,924,057)	(20,295)	–	–	–
Transfers to Stage 2	(4,052,359)	4,354,294	(301,935)	58,665	(58,665)	–
Transfers to Stage 3	(38,320)	(653,348)	691,668	(44,014)	44,014	–
Accrued interest	14	3,131	53,293	3,046	8,278	56,438
Decrease due to write-offs	–	–	(58,822)	–	–	(58,822)
Foreign exchange adjustments	43,649	39,528	9,480	3,095	1,882	92,657
Total retail gross carrying amount as at 31 December 2019	**13,362,429**	**2,083,355**	**821,885**	**147,901**	**77,800**	**16,267,669**
Total gross carrying amount	**23,588,895**	**3,314,739**	**1,151,059**	**189,275**	**129,397**	**28,054,693**

BANK

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
						2018
NON-RETAIL						
Gross carrying amount as at 1 January 2018	7,952,743	333,659	447,265	–	91,878	8,733,667
New assets originated or purchased	9,380,142	239,566	98,936	43,956	5,106	9,718,644
Assets derecognised or repaid (excluding write-offs)	(6,296,227)	(293,851)	(147,031)	(1,043)	(13,624)	(6,737,109)
Transfers to Stage 1	130,363	(130,363)	–	–	–	–
Transfers to Stage 2	(424,192)	443,815	(19,623)	–	–	–
Transfers to Stage 3	(5,434)	(36,252)	41,686	–	–	–
Decrease account due to write-offs	–	–	(28,500)	–	–	(28,500)
Foreign exchange adjustments	23,602	272	71	–	11	23,945
Total non-retail gross carrying amount as at 31 December 2018	**10,760,997**	**556,846**	**392,804**	**42,913**	**83,371**	**11,710,647**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
RETAIL						
Gross carrying amount as at 1 January 2018	10,621,294	1,893,488	744,440	106,782	127,521	13,259,222
New assets originated or purchased	5,592,207	118,595	21,748	739	5,387	5,732,550
Assets derecognised or repaid (excluding write-offs)	(3,357,091)	(707,527)	(245,772)	(8,172)	(22,975)	(4,310,390)
Transfers to Stage 1	2,551,533	(2,549,376)	(2,157)	–	–	–
Transfers to Stage 2	(3,437,637)	3,552,110	(114,473)	9,367	(9,367)	–
Transfers to Stage 3	(11,286)	(343,456)	354,742	(14,232)	14,232	–
Decrease account due to write-offs	–	–	(56,729)	–	–	(56,729)
Foreign exchange adjustments	10,973	11,128	5,070	1,477	800	27,171
Total retail gross carrying amount as at 31 December 2018	**11,969,993**	**1,974,962**	**706,869**	**95,961**	**115,598**	**14,651,824**
Total gross carrying amount	**22,730,990**	**2,531,808**	**1,099,673**	**138,874**	**198,969**	**26,362,471**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2019

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

GROUP

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
						2019
NON-RETAIL						
ECL allowance as at 1 January 2019	37,118	7,118	269,881	955	50,041	314,117
New assets originated or purchased	108,160	6,354	46,582	–	6,531	161,096
Assets derecognised or repaid (excluding write-offs)	(87,002)	(4,624)	(30,870)	–	(2,573)	(122,496)
Transfers to Stage 1	13,524	(13,524)	–	–	–	–
Transfers to Stage 2	(5,571)	5,571	–	–	–	–
Transfers to Stage 3	(264)	(1,426)	1,690	–	–	–
Change in ECL (including transfers)	(28,111)	20,927	4,852	791	(12,770)	(2,332)
Unwind of discount	–	–	(7,015)	–	(1,003)	(7,015)
Decrease in allowance account due to write-offs	–	–	(74,795)	–	–	(74,795)
Accrued interest	–	–	22,211	–	1,072	22,211
Foreign exchange adjustments	360	152	2,763	–	246	3,275
Total non-retail ECL as at 31 December 2019	**38,214**	**20,548**	**235,299**	**1,746**	**41,544**	**294,061**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
RETAIL						
ECL allowance as at 1 January 2019	53,347	205,914	430,330	5,742	33,229	689,591
New assets originated or purchased	56,653	364,795	14,267	–	415	435,715
Assets derecognised or repaid (excluding write-offs)	(13,007)	(390,875)	(130,498)	(159)	(3,927)	(534,380)
Transfers to Stage 1	167,282	(158,086)	(9,196)	–	–	–
Transfers to Stage 2	(30,315)	170,129	(139,814)	9,887	(9,887)	–
Transfers to Stage 3	(656)	(104,020)	104,676	(902)	902	–
Change in ECL (including transfers)	(203,806)	(78,181)	455,305	(35,282)	55,435	173,318
Changes in methodology	65,845	146,038	(129,980)	22,476	(36,233)	81,903
Unwind of discount	–	–	(16,021)	–	(4,340)	(16,021)
Decrease in allowance account due to write-offs	–	–	(58,932)	–	–	(58,932)
Accrued interest	–	–	53,293	–	8,278	56,438
Foreign exchange adjustments	174	3,275	5,549	185	905	8,998
Total retail ECL as at 31 December 2019	**95,517**	**158,989**	**578,979**	**1,947**	**44,777**	**833,485**
Total impairment allowance	**133,731**	**179,537**	**814,278**	**3,693**	**86,321**	**1,127,546**

GROUP

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	2018 TOTAL
NON-RETAIL						
ECL allowance as at 1 January 2018	18,473	10,197	265,728	–	45,382	294,398
New assets originated or purchased	38,187	3,727	51,695	955	2,214	93,609
Assets derecognised or repaid (excluding write-offs)	(23,252)	(2,010)	(49,280)	–	(87)	(74,542)
Transfers to Stage 1	2,746	(2,746)	–	–	–	–
Transfers to Stage 2	(1,048)	1,770	(722)	–	–	–
Transfers to Stage 3	(91)	(582)	673	–	–	–
Change in ECL (including transfers)	2,077	(4,324)	18,273	–	–	16,026
Unwind of discount	–	1,063	11,892	–	2,480	12,955
Decrease in allowance account due to write-offs	–	–	(28,500)	–	–	(28,500)
Recoveries	–	(148)	(7,262)	–	–	(7,410)
Amounts written off	150	759	4,309	–	–	5,218
Foreign exchange adjustments	26	23	122	–	52	171
Total non-retail ECL as at 31 December 2018	**37,118**	**7,118**	**269,881**	**955**	**50,041**	**314,117**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
RETAIL						
ECL allowance as at 1 January 2018	48,038	244,551	413,641	10,597	32,214	706,230
New assets originated or purchased	37,935	5,193	12,941	–	511	56,069
Assets derecognised or repaid (excluding write-offs)	(9,507)	(33,516)	(124,566)	(601)	601	(167,589)
Transfers to Stage 1	250,387	(249,468)	(919)	–	–	–
Transfers to Stage 2	(42,186)	112,356	(70,170)	3,560	(3,560)	–
Transfers to Stage 3	(115)	(75,376)	75,491	(690)	690	–
Change in ECL (including transfers)	(230,701)	192,995	157,206	(10,083)	(4,942)	119,500
Unwind of discount	(1,573)	7,549	20,612	2,684	7,274	26,588
Decrease in allowance account due to write-offs	–	–	(56,729)	–	–	(56,729)
Recoveries	(7)	(98)	(74,520)	–	–	(74,625)
Amounts written off	436	1,052	32,399	–	–	33,887
Foreign exchange adjustments	1,069	1,630	2,823	275	441	5,522
Total retail ECL as at 31 December 2018	**53,347**	**205,914**	**430,330**	**5,742**	**33,229**	**689,591**
Total impairment allowance	**90,465**	**213,032**	**700,211**	**6,697**	**83,270**	**1,003,708**

BANK

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
						2019
NON-RETAIL						
ECL allowance as at 1 January 2019	35,441	11,069	245,338	955	50,041	291,848
New assets originated or purchased	107,442	6,358	46,558	–	6,531	160,358
Assets derecognised or repaid (excluding write-offs)	(86,869)	(4,548)	(30,076)	–	(2,573)	(121,493)
Transfers to Stage 1	13,524	(13,524)	–	–	–	–
Transfers to Stage 2	(5,571)	5,571	–	–	–	–
Transfers to Stage 3	(264)	(1,426)	1,690	–	–	–
Change in ECL (including transfers)	(26,580)	15,747	7,210	791	(12,770)	(3,623)
Unwind of discount	–	–	(7,015)	–	(1,003)	(7,015)
Decrease in allowance account due to write-offs	–	–	(69,411)	–	–	(69,411)
Accrued interest	–	–	22,211	–	1,072	22,211
Foreign exchange adjustments	332	144	2,526	–	246	3,002
Total non-retail ECL as at 31 December 2019	**37,455**	**19,391**	**219,031**	**1,746**	**41,544**	**275,877**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
RETAIL						
ECL allowance as at 1 January 2019	49,457	200,867	430,330	5,742	33,229	680,654
New assets originated or purchased	54,418	364,750	12,746	–	415	431,914
Assets derecognised or repaid (excluding write-offs)	(12,709)	(390,863)	(130,183)	(159)	(3,927)	(533,755)
Transfers to Stage 1	167,282	(158,086)	(9,196)	–	–	–
Transfers to Stage 2	(30,315)	170,129	(139,814)	9,887	(9,887)	–
Transfers to Stage 3	(656)	(104,020)	104,676	(902)	902	–
Change in ECL (including transfers)	(201,866)	(72,531)	443,764	(35,282)	55,435	169,367
Changes in methodology	65,845	146,038	(129,980)	22,476	(36,233)	81,903
Unwind of discount	–	–	(16,021)	–	(4,340)	(16,021)
Decrease in allowance account due to write-offs	–	–	(58,822)	–	–	(58,822)
Accrued interest	–	–	53,293	–	8,278	53,293
Foreign exchange adjustments	137	3,275	5,457	185	905	8,869
Total retail ECL as at 31 December 2019	**91,593**	**159,559**	**566,250**	**1,947**	**44,777**	**817,402**
Total impairment allowance	**129,048**	**178,950**	**785,281**	**3,693**	**86,321**	**1,093,279**

BANK

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	2018 TOTAL
NON-RETAIL						
ECL allowance as at 1 January 2018	17,069	9,620	240,474	–	45,382	267,163
New assets originated or purchased	37,458	3,691	51,692	955	2,214	92,841
Assets derecognised or repaid (excluding write-offs)	(23,056)	(1,796)	(48,257)	–	(87)	(73,109)
Transfers to Stage 1	2,746	(2,746)	–	–	–	–
Transfers to Stage 2	(1,048)	1,770	(722)	–	–	–
Transfers to Stage 3	(91)	(582)	673	–	–	–
Change in ECL (including transfers)	2,336	37	17,976	–	–	20,349
Unwind of discount	–	1,063	11,892	–	2,480	12,955
Decrease in allowance account due to write-offs	–	–	(28,500)	–	–	(28,500)
Recoveries	–	(148)	(6,782)	–	–	(6,930)
Amounts written off	150	759	4,309	–	–	5,218
Foreign exchange adjustments	27	12	110	–	52	149
Total non-retail ECL as at 31 December 2018	**35,441**	**11,069**	**245,338**	**955**	**50,041**	**291,848**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	OF WHICH POCI STAGE 2	OF WHICH POCI STAGE 3	TOTAL
RETAIL						
ECL allowance as at 1 January 2018	46,634	243,974	413,641	10,597	32,214	704,249
New assets originated or purchased	35,559	5,094	12,941	–	511	53,594
Assets derecognised or repaid (excluding write-offs)	(11,446)	(33,523)	(124,566)	(601)	601	(169,535)
Transfers to Stage 1	250,594	(249,101)	(1,493)	–	–	–
Transfers to Stage 2	(42,186)	112,356	(70,170)	3,560	(3,560)	–
Transfers to Stage 3	(115)	(75,376)	75,491	(690)	690	–
Change in ECL (including transfers)	(230,701)	192,995	157,780	(10,083)	(4,942)	120,074
Unwind of discount	49	2,818	20,612	2,684	7,274	23,479
Decrease in allowance account due to write-offs	–	–	(56,729)	–	–	(56,729)
Recoveries	(7)	(98)	(74,520)	–	–	(74,625)
Amounts written off	436	1,052	32,399	–	–	33,887
Foreign exchange adjustments	1,069	1,630	2,823	275	441	5,522
Total retail ECL as at 31 December 2018	**49,457**	**200,867**	**430,330**	**5,742**	**33,229**	**680,654**
Total impairment allowance	**84,898**	**211,936**	**675,668**	**6,697**	**83,270**	**972,502**

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

GROUP

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
				2019
NON-RETAIL				
Gross carrying amount as at 1 January 2019	9,331,804	192,601	147,590	9,671,995
New assets originated or purchased	5,708,733	101,121	27,527	5,837,381
Assets derecognised or repaid (excluding write-offs)	(5,683,322)	(174,765)	(61,041)	(5,919,128)
Transfers to Stage 1	266,852	(266,852)	–	–
Transfers to Stage 2	(496,644)	496,644	–	–
Transfers to Stage 3	(46,248)	(1,411)	47,659	–
Foreign exchange adjustments	84,051	1,641	2,077	87,769
Total non-retail gross carrying amount as at 31 December 2019	**9,165,226**	**348,979**	**163,812**	**9,678,017**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	TOTAL
RETAIL				
Gross carrying amount as at 1 January 2019	2,162,810	614,178	2,443	2,779,431
New assets originated or purchased	893,232	59,419	594	953,245
Assets derecognised or repaid (excluding write-offs)	(556,821)	(18,518)	(4,160)	(579,499)
Transfers to Stage 1	731,444	(730,724)	(720)	–
Transfers to Stage 2	(932,545)	934,902	(2,357)	–
Transfers to Stage 3	(3,849)	(10,425)	14,274	–
Foreign exchange adjustments	169	370	–	539
Total retail gross carrying amount as at 31 December 2019	**2,294,440**	**849,202**	**10,074**	**3,153,716**
Total gross carrying amount	**11,459,666**	**1,198,181**	**173,886**	**12,831,733**

GROUP

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
				2018
NON-RETAIL				
Gross carrying amount as at 1 January 2018	8,487,717	109,726	104,087	8,701,530
New assets originated or purchased	6,613,219	12,675	30,611	6,656,505
Assets derecognised or repaid (excluding write-offs)	(5,647,693)	(26,732)	(36,080)	(5,710,505)
Transfers to Stage 1	38,555	(38,555)	–	–
Transfers to Stage 2	(184,215)	184,436	(221)	–
Transfers to Stage 3	(16)	(49,102)	49,118	–
Foreign exchange adjustments	24,237	153	75	24,465
Total non-retail gross carrying amount as at 31 December 2018	**9,331,804**	**192,601**	**147,590**	**9,671,995**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	TOTAL
RETAIL				
Gross carrying amount as at 1 January 2018	1,872,029	567,045	3,554	2,442,628
New assets originated or purchased	636,712	51,111	371	688,194
Assets derecognised or repaid (excluding write-offs)	(341,940)	(2,704)	(6,759)	(351,403)
Transfers to Stage 1	573,446	(573,389)	(57)	–
Transfers to Stage 2	(576,448)	577,907	(1,459)	–
Transfers to Stage 3	(989)	(5,804)	6,793	–
Foreign exchange adjustments	–	12	–	12
Total retail gross carrying amount as at 31 December 2018	**2,162,810**	**614,178**	**2,443**	**2,779,431**
Total gross carrying amount	**11,494,614**	**806,779**	**150,033**	**12,451,426**

BANK

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	TOTAL
				2019
NON-RETAIL				
Gross carrying amount as at 1 January 2019	9,278,368	192,465	147,590	9,618,423
New assets originated or purchased	5,647,237	100,677	26,702	5,774,616
Assets derecognised or repaid (excluding write-offs)	(5,629,886)	(174,629)	(61,041)	(5,865,556)
Transfers to Stage 1	266,852	(266,852)	–	–
Transfers to Stage 2	(496,644)	496,644	–	–
Transfers to Stage 3	(46,248)	(1,411)	47,659	–
Foreign exchange adjustments	84,051	1,641	2,078	87,770
Total non-retail gross carrying amount as at 31 December 2019	**9,103,730**	**348,535**	**162,988**	**9,615,253**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	TOTAL
RETAIL				
Gross carrying amount as at 1 January 2019	2,162,810	614,178	2,443	2,779,431
New assets originated or purchased	878,282	59,419	594	938,295
Assets derecognised or repaid (excluding write-offs)	(556,821)	(18,518)	(4,159)	(579,498)
Transfers to Stage 1	731,444	(730,724)	(720)	–
Transfers to Stage 2	(932,545)	934,902	(2,357)	–
Transfers to Stage 3	(3,849)	(10,425)	14,274	–
Foreign exchange adjustments	169	370	–	539
Total retail gross carrying amount as at 31 December 2019	**2,279,490**	**849,202**	**10,075**	**3,138,767**
Total gross carrying amount	**11,383,220**	**1,197,737**	**173,063**	**12,754,020**

BANK

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
				2018
NON-RETAIL				
Gross carrying amount as at 1 January 2018	8,445,176	109,726	104,087	8,658,989
New assets originated or purchased	6,558,801	12,539	30,611	6,601,951
Assets derecognised or repaid (excluding write-offs)	(5,604,170)	(26,732)	(36,080)	(5,666,982)
Transfers to Stage 1	38,555	(38,555)	–	–
Transfers to Stage 2	(184,215)	184,436	(221)	–
Transfers to Stage 3	(16)	(49,102)	49,118	–
Foreign exchange adjustments	24,237	153	75	24,465
Total non-retail gross carrying amount as at 31 December 2018	**9,278,368**	**192,465**	**147,590**	**9,618,423**

	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	TOTAL
RETAIL				
Gross carrying amount as at 1 January 2018	1,872,029	567,045	3,554	2,442,628
New assets originated or purchased	636,712	51,111	371	688,194
Assets derecognised or repaid (excluding write-offs)	(341,940)	(2,704)	(6,759)	(351,403)
Transfers to Stage 1	573,446	(573,389)	(57)	–
Transfers to Stage 2	(576,448)	577,907	(1,459)	–
Transfers to Stage 3	(989)	(5,804)	6,793	–
Foreign exchange adjustments	–	12	–	12
Total retail gross carrying amount as at 31 December 2018	**2,162,810**	**614,178**	**2,443**	**2,779,431**
Total gross carrying amount	**11,441,178**	**806,643**	**150,033**	**12,397,854**

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

GROUP

				2019
IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
NON-RETAIL				
ECL allowance as at 1 January 2019	11,258	1,090	47,780	60,128
New assets originated or purchased	6,556	204	7,726	14,486
Assets derecognised or repaid (excluding write-offs)	(2,707)	(437)	(21,836)	(24,980)
Transfers to Stage 1	4,084	(4,084)	–	–
Transfers to Stage 2	(1,904)	1,904	–	–
Transfers to Stage 3	(206)	(57)	263	–
Impact on changes due to change in credit risk (net)	(6,532)	6,822	12,423	12,713
Foreign exchange adjustments	130	25	388	543
Total non-retail ECL as at 31 December 2019	**10,679**	**5,467**	**46,744**	**62,890**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	TOTAL
RETAIL				
ECL allowance as at 1 January 2019	2,415	4,624	2,237	9,276
New assets originated or purchased	2,298	409	1,106	3,813
Assets derecognised or repaid (excluding write-offs)	(448)	(1,151)	(246)	(1,845)
Transfers to Stage 1	5,999	(5,241)	(758)	–
Transfers to Stage 2	(945)	2,740	1,795	–
Transfers to Stage 3	(20)	(198)	218	–
Impact on changes due to change in credit risk (net)	(6,332)	2,122	7,171	2,961
Foreign exchange adjustments	–	1	–	1
Total retail ECL as at 31 December 2019	**2,967**	**3,306**	**7,933**	**14,206**
Total impairment allowance	**13,646**	**8,773**	**54,677**	**77,096**

GROUP

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	2018 TOTAL
NON-RETAIL				
ECL allowance as at 1 January 2018	6,916	812	23,770	31,498
New assets originated or purchased	5,957	90	6,346	12,393
Assets derecognised or repaid (excluding write-offs)	(1,008)	(250)	(5,958)	(7,216)
Transfers to Stage 1	316	(316)	–	–
Transfers to Stage 2	(309)	309	–	–
Transfers to Stage 3	–	(751)	751	–
Impact on changes due to change in credit risk (net)	(635)	1,185	22,812	23,362
Foreign exchange adjustments	21	11	59	91
Total non-retail ECL as at 31 December 2018	**11,258**	**1,090**	**47,780**	**60,128**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	TOTAL
RETAIL				
ECL allowance as at 1 January 2018	2,415	4,811	2,494	9,720
New assets originated or purchased	1,887	1,515	1,192	4,594
Assets derecognised or repaid (excluding write-offs)	(233)	(603)	(467)	(1,303)
Transfers to Stage 1	4,827	(4,805)	(22)	–
Transfers to Stage 2	(749)	1,449	(700)	–
Transfers to Stage 3	(2)	(119)	121	–
Impact on changes due to change in credit risk (net)	(5730)	2,376	(381)	(3,735)
Foreign exchange adjustments	–	–	–	–
Total retail ECL as at 31 December 2018	**2,415**	**4,624**	**2,237**	**9,276**
Total impairment allowance	**13,673**	**5,714**	**50,017**	**69,404**

BANK

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
				2019
NON-RETAIL				
ECL allowance as at 1 January 2019	11,258	1,090	47,780	60,128
New assets originated or purchased	6,556	204	7,726	14,486
Assets derecognised or repaid (excluding write-offs)	(2,707)	(437)	(21,836)	(24,980)
Transfers to Stage 1	4,084	(4,084)	–	–
Transfers to Stage 2	(1,904)	1,904	–	–
Transfers to Stage 3	(206)	(57)	263	–
Impact on changes due to change in credit risk (net)	(6,532)	6,822	12,423	12,713
Foreign exchange adjustments	130	25	388	543
Total non-retail ECL as at 31 December 2019	**10,679**	**5,467**	**46,744**	**62,890**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	TOTAL
RETAIL				
ECL allowance as at 1 January 2019	2,415	4,624	2,237	9,276
New assets originated or purchased	2,298	409	1,106	3,813
Assets derecognised or repaid (excluding write-offs)	(448)	(1,151)	(246)	(1,845)
Transfers to Stage 1	5,999	(5,241)	(758)	–
Transfers to Stage 2	(945)	2,740	(1,795)	–
Transfers to Stage 3	(20)	(198)	218	–
Impact on changes due to change in credit risk (net)	(6,332)	2,122	7,171	2,961
Foreign exchange adjustments	–	1	–	1
Total retail ECL as at 31 December 2019	**2,967**	**3,306**	**7,933**	**14,206**
Total impairment allowance	**13,646**	**8,773**	**54,677**	**77,096**

BANK

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
				2018
NON-RETAIL				
ECL allowance as at 1 January 2018	6,916	812	23,770	31,498
New assets originated or purchased	5,957	90	6,346	12,393
Assets derecognised or repaid (excluding write-offs)	(1,008)	(250)	(5,958)	(7,216)
Transfers to Stage 1	316	(316)	–	–
Transfers to Stage 2	(309)	309	–	–
Transfers to Stage 3	–	(751)	751	–
Impact on changes due to change in credit risk (net)	(635)	1,185	22,812	23,362
Foreign exchange adjustments	21	11	59	91
Total non-retail ECL as at 31 December 2018	**11,258**	**1,090**	**47,780**	**60,128**

IN RON THOUSAND	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	TOTAL
RETAIL				
ECL allowance as at 1 January 2018	2,415	4,811	2,494	9,720
New assets originated or purchased	1,887	1,515	1,192	4,594
Assets derecognised or repaid (excluding write-offs)	(233)	(603)	(467)	(1,303)
Transfers to Stage 1	4,827	(4,805)	(22)	–
Transfers to Stage 2	(749)	1,449	(700)	–
Transfers to Stage 3	(2)	(119)	121	–
Impact on changes due to change in credit risk (net)	(5,730)	2,376	(381)	(3,735)
Foreign exchange adjustments	–	–	–	–
Total retail ECL as at 31 December 2018	**2,415**	**4,624**	**2,237**	**9,276**
Total impairment allowance	**13,673**	**5,714**	**50,017**	**69,404**

Non-performing exposure, in accordance with EBA/ITS/2013/03/rev1 Regulation from July 24th 2014 with subsequent amendments, can be further analysed as follows:

	GROUP		BANK	
IN RON THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018	31 DECEMBER 2019	31 DECEMBER 2018
Exposure	**1,207,816**	**1,333,656**	**1,151,059**	**1,297,909**
out of which retail:	824,567	905,581	821,885	905,225
out of which non-retail:	383,249	428,075	329,174	392,684
Impairment allowance	**812,735**	**725,246**	**785,281**	**700,625**
out of which retail:	566,472	455,376	566,250	455,287
out of which non-retail:	246,263	269,870	219,031	245,338
Net Book Value	**395,081**	**608,410**	**365,778**	**597,284**
out of which retail:	258,095	450,205	255,635	449,938
out of which non-retail:	136,986	158,205	110,143	147,346

The following tables provide a summary of the Group and Bank forborne exposures and corresponding ECL:

GROUP

	2019		2018	
IN RON THOUSAND	GROSS CARRYING AMOUNT FOR RETAIL FORBORNE	GROSS CARRYING AMOUNT FOR NON-RETAIL FORBORNE	GROSS CARRYING AMOUNT FOR RETAIL FORBORNE	GROSS CARRYING AMOUNT FOR NON-RETAIL FORBORNE
Modification to term and conditions	138,479	47,452	73,955	90,996
Refinancing	1,980	–	23,553	2,310
Total performing forborne loans	**140,459**	**47,452**	**97,508**	**93,306**
Modification to term and conditions	287,958	152,271	507,606	227,297
Refinancing	4,664	486	24,646	700
Total non-performing forborne loans	**292,622**	**152,757**	**532,252**	**227,997**
Total forborne loans	**433,081**	**200,209**	**629,760**	**321,303**

BANK

	2019		2018	
IN RON THOUSAND	GROSS CARRYING AMOUNT FOR RETAIL FORBORNE	GROSS CARRYING AMOUNT FOR NON-RETAIL FORBORNE	GROSS CARRYING AMOUNT FOR RETAIL FORBORNE	GROSS CARRYING AMOUNT FOR NON-RETAIL FORBORNE
Modification to term and conditions	138,479	45,814	74,016	88,355
Refinancing	1,980	–	23,553	2,310
Total performing forborne loans	**140,459**	**45,814**	**97,569**	**90,665**
Modification to term and conditions	287,958	141,095	507,606	207,929
Refinancing	4,664	–	24,646	–
Total non-performing forborne loans	**292,622**	**141,095**	**532,252**	**207,929**
Total forborne loans	**433,081**	**186,909**	**629,821**	**298,594**

31 DECEMBER 2019

IN RON THOUSAND	GROUP IMPAIRMENT ALLOWANCE OF RETAIL FORBORNE LOANS	GROUP IMPAIRMENT ALLOWANCE OF NON-RETAIL FORBORNE LOANS	BANK IMPAIRMENT ALLOWANCE OF RETAIL FORBORNE LOANS	BANK IMPAIRMENT ALLOWANCE OF NON-RETAIL FORBORNE LOANS
Modification to term and conditions	(7,074)	(578)	(7,074)	(530)
Total impairment allowance of performing forborne loans	**(7,074)**	**(578)**	**(7,074)**	**(530)**
Modification to term and conditions	(195,927)	(98,733)	(195,927)	(90,624)
Refinancing	(3,159)	(486)	(3,159)	–
Total impairment allowance of non performing forborne loans	**(199,086)**	**(99,219)**	**(199,086)**	**(90,624)**
Total impairment allowance of forborne loans	**(206,160)**	**(99,797)**	**(206,160)**	**(91,154)**

31 DECEMBER 2018

IN RON THOUSAND	GROUP IMPAIRMENT ALLOWANCE OF RETAIL FORBORNE LOANS	GROUP IMPAIRMENT ALLOWANCE OF NON-RETAIL FORBORNE LOANS	BANK IMPAIRMENT ALLOWANCE OF RETAIL FORBORNE LOANS	BANK IMPAIRMENT ALLOWANCE OF NON-RETAIL FORBORNE LOANS
Modification to term and conditions	(8,762)	(4,892)	(8,896)	(4,758)
Total impairment allowance of performing forborne loans	**(8,762)**	**(4,892)**	**(8,896)**	**(4,758)**
Modification to term and conditions	(188,742)	(139,626)	(188,742)	(123,762)
Refinancing	(10,803)	(775)	(10,803)	–
Total impairment allowance of non performing forborne loans	**(199,545)**	**(140,401)**	**(199,545)**	**(123,762)**
Total impairment allowance of forborne loans	**(208,307)**	**(145,293)**	**(208,441)**	**(128,520)**

Financial lease

The Group acts as a lessor in finance lease contracts for vehicles, equipment and real estate. Leasing contracts are denominated in EUR or RON and with a contract tenor of 1 to 8 years, in the case of vehicle lease contracts and 1 to 10 years in case or real estate lease. The transfer of ownership rights is at the maturity of the contract. The interest applicable to lease contracts is variable or fixed and is computed for the entire tenor of the contract. The corresponding receivables are collateralized with the object of the lease contract, as well as with other type of collaterals. Loans and advances to Group's customers include the following receivables from lease contracts:

IN RON THOUSAND	31 DECEMBER 2019
Less than one year	85,278
1 to 2 years	151,932
Two to 3 years	215,596
Three to 4 years	269,543
Four to 5 years	297,405
More than 5 years	102,613
Total undiscounted lease payments receivables	**1,122,368**
Unearned finance income	(41,239)
Net investment in lease	**1,081,130**

IN RON THOUSAND	31 DECEMBER 2019
Gross lease investment :	983,829
Deferred financial revenue:	(60,924)
Net lease investment	**922,905**
Gross lease investment, according to the remaining maturity	
Less than one year	52,589
1 to 5 years	862,713
Over 5 years	68,527
	983,829
Net lease investment, according to the remaining maturity:	
Less than one year	51,818
1 to 5 years	809,103
Over 5 years	61,983
	922,905

22. INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

IN RON THOUSAND	GROUP 31 DECEMBER 2019	GROUP 31 DECEMBER 2018	BANK 31 DECEMBER 2019	BANK 31 DECEMBER 2018
INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME OUT OF WHICH:				
Bonds issued by the Government of Romania	1,922,994	2,588,347	1,851,204	2,588,347
Bonds issued by Multilateral Development Banks	21,315	79,101	21,315	79,101
Bonds issued by other public sector	411,176	496,021	411,176	496,021
Bonds issued by credit institutions	42,676	40,838	42,676	40,838
Total investment securities at fair value through other comprehensive income	**2,398,161**	**3,204,307**	**2,326,371**	**3,204,307**

Treasury securities issued by the Government of Romania include discount and coupon securities denominated in RON. Discount treasury bills bear fixed interest rates. As at 31 Dec 2019, treasury securities amounting to RON 107,530 thousand (31 December 2018: RON 101,393 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 1.00% 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 2019	31 DECEMBER 2018	31 DECEMBER 2019	31 DECEMBER 2018
Unquoted equity instruments	12,674	14,133	12,674	14,133
Quoted equity instruments	49,228	33,890	49,228	33,890
Total equity instruments at fair value through other comprehensive income	**61,902**	**48,023**	**61,902**	**48,023**

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

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. The Group received dividends at 31 December 2019 amounting to RON 1,664 thousand (2018: RON 4,493 thousand). During the period, the Group sold one of its participation in amount of RON 9 thousand; the other variances in balance during the period are the result of fair value change.

Equity instruments at FVOCI are not subject to an impairment assessment.

24. INVESTMENTS SECURITIES AT AMORTISED COST

	GROUP		BANK	
IN RON THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018	31 DECEMBER 2019	31 DECEMBER 2018
Bonds issued by credit institutions	3,596	3,850	–	–
Bonds issued by the Government of Romania quoted	2,990,420	2,158,305	2,957,868	2,142,347
Bonds issued by the Government of Romania unquoted	1,958,760	171,212	1,716,364	165,724
Total investment securities at amortised cost	**4,952,776**	**2,333,367**	**4,674,232**	**2,308,071**

At 31 December 2019 The Group has one hedge relationship and the hedged instrument is a debt security at amortised cost. The carrying amount of the hedged item is RON 32,305 thousand (2018: RON 29,505 thousand).

As at 31 December 2019, bonds issued by the Government of Romania amounting to RON 107,530 (2018: RON 101,393 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	2019	2018	2019	2018
Balance at 1 January	**40,059**	**38,990**	**166,494**	**166,524**
Additions (i)	–	–	9,471	–
Disposals	–	–	–	(30)
Reclassification (i)	(23,260)	–	–	–
Other comprehensive income	–	42	–	–
Group's share of gain from associates	1,909	1,027	–	–
Dividends received	(928)			
Total	17,780	40,059	175,965	166,494
Impairment allowance (i)	–	(15,079)	(78,012)	(61,145)
Balance at 31 December	**17,780**	**24,980**	**97,953**	**105,349**

(i)The Bank gained control on Raiffeisen Banca pentru Locuințe S.A. through acquisition of additional 66.65% shares in this participation. The transaction date was July 2019, when all the necessary approvals and contract covenants were fulfilled. The consideration paid was Euro 2,000 thousand (RON 9,471 thousands) and the fair value of net assets acquired (related to 66.66% shares) was RON 16,675 thousands generating a negative good will in amount of RON 7,204 thousands. As a result, the change in control has been reflected in the consolidation financial statements by reclassifying this participation from equity method to full consolidation (both the cost and the related provision).

On the acquisition date, the fair value of the major assets and liabilities transferred were as follows:

IN RON THOUSAND	FAIR VALUE ON ACQUISITION
Investment securities at fair value through other comprehensive income	56,247
Investment securities at amortised cost	233,813
Loans and advances to customers at amortised cost	150,373
Deposits from customers	(371,863)
Provisions	(48,717)
Other assets	5,167
TOTAL net assets acquired	**25,020**

The Group's interests in its associates and joint ventures that are unlisted are as follows:

INVESTMENT IN ASSOCIATES

IN RON THOUSAND	ASSETS	LIABILITIES	REVENUES	INTEREST INCOME	INTEREST EXPENSE	INCOME TAXES	PROFIT	NET ASSETS	INTEREST HELD %	% NET ASSETS	CARRYING AMOUNT
31 DECEMBER 2019											
Fondul de Garantare a Creditului Rural IFN SA	772,200	719,715	26,875	1,807	–	(412)	2,539	52,485	33,33%	17,493	17,780
31 DECEMBER 2018											
Fondul de Garantare a Creditului Rural IFN SA	740,712	687,986	32,310	2,112	(787)	(2,054)	2,779	52,726	33,33%	17,574	17,861

INVESTMENT IN JOINT VENTURES

IN RON THOUSAND	ASSETS	LIABILITIES	REVENUES	INTEREST INCOME	INTEREST EXPENSE	INCOME TAXES	PROFIT	NET ASSETS	INTEREST HELD %	% NET ASSETS	CARRYING AMOUNT
31 DECEMBER 2018											
Raiffeisen Banca pentru Locuințe S.A.	513,637	447,003	23,197	19,525	(7,965)	(83)	301	66,634	33,33%	22,206	7,406

26. FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

The table below shows the split of total financial assets mandatorily at fair value through profit or loss as of December 31, 2019.

	GROUP		BANK	
IN RON THOUSAND	2019	2018	2019	2018
Loans and advances to customers	343,625	368,508	343,625	368,508
Equity instruments	19,900	11,720	–	–
Total	**363,525**	**380,228**	**343,625**	**368,508**

Group: Net gains on non-trading financial assets mandatorily at fair value through profit or loss for the period ended December 31st, 2019 are in amount of RON 40,300 thousand (2018: RON 38,811 thousand).

Bank: Net gains on non-trading financial assets mandatorily at fair value through profit or loss for the period ended December 31st, 2019 are in amount of RON 39,619 thousand (2018: RON 38,481 thousand).

27. FAIR VALUE CHANGES OF THE HEDGED ITEMS-HEDGE ACCOUNTING

The Group applies the micro fair value hedge and at 31 December 2019 has one hedge relationship (2018: one hedge relationship). The Bank uses as hedging instruments an interest rate swap with a notional contract amount of RON 28,676 thousand (2018: RON 27,983 thousand). The carrying amount of the hedged item, a debt security at amortised cost, is RON 32,305 thousand (2018: RON 29,505 thousand). The total accumulated amount of fair value adjustments of hedge item and hedging instrument are disclosed under “Fair value changes of the hedged items-hedge accounting” position, respectively “Derivatives – hedge accounting position” in the statement of financial position. The net gain resulted from the hedge relationship at 31 December 2019 is RON 34 thousand (2018: RON 145 thousand).

28. OTHER ASSETS

IN RON THOUSAND	GROUP 31 DECEMBER 2019	GROUP 31 DECEMBER 2018	BANK 31 DECEMBER 2019	BANK 31 DECEMBER 2018
Prepayments (i)	280,798	52,939	274,588	51,210
Clearing claims from payment transfer business (ii)	109,505	101,130	109,505	101,130
Receivable from sale of loans	2,777	4,843	2,777	4,843
Sundry debtors (iii)	74,573	85,931	51,050	92,984
Inventories	1,775	3,449	1,698	3,449
Repossessed assets	26,235	31,240	16,853	24,902
Other	–	23,407	–	25
Total	**495,663**	**302,939**	**456,471**	**278,543**

(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. Subsequently to December 31, 2019 and until the date of these financial statements, the Bank received the answer to the appeal according to which the Bank is entitled to receive back 10% of the principal charges included in the tax report. The Bank will continue legal procedures for the recovery of the remaining amounts and will initiate a litigation in this respect.

Based on the facts and documents presented to the tax authority concerning certain operations that were the object of the control performed by the tax authority, considering the reclassification/qualifications made by the tax authority, and considering the opinions issued by the tax advisers and by the law firm that will represent the bank in a potential litigation against the tax authority, the Bank assessed that it is more likely that a court decision would be favourable to the Bank (in the sense of acknowledging the operations as performed by the bank) than to have a non- favourable court decision. As a result, the Bank recognised as expense the amount of RON 21,486 thousand, while the remaining amount of RON 240,927 paid is reflected as prepayment.

According to IFRIC 23, the carrying amount of income taxes with uncertain treatment is RON 152,274 thousand and resulted from the tax audit detailed above. This amount includes income tax (principal and related penalties). In this respect, the taxation authority represents the body that decides whether tax treatments are acceptable under tax law and might include the court.

(ii) Clearing claims from payment transfer business include amounts to be settled as of December 31, like: cards transactions of RON 77,716 thousand (2018: RON 96,878 thousand), sales and purchase of cash transactions of RON 26,953 thousand (2018: RON 2,177 thousand), Western Union transactions in course of settlement of RON 4,652 thousand (2018: RON 7,236 thousand) and others.

(iii) Sundry debtors include various receivables such for: services provided by the bank to its customers (such as for cash transportation), advances paid to suppliers, amounts receivables as a result of operational incidents etc.

Group: Sundry debtors balance is presented at net book value, respectively gross book value in amount of 123,441 RON thousand (2018: 126.177 RON thousand) decreased with impairment in amount of RON 48,868 thousand (2018: RON 40.246 thousand).

Bank: Sundry debtors balance is presented at net book value, respectively gross book value in amount of 99,915 RON thousand (2018: 133,230 RON thousand) decreased with impairment in amount of RON 48,868 thousand (2018: RON 40,246 thousand).

In the tables below is presented the split of other assets to customers by their quality:

	GROUP		BANK	
IN RON THOUSAND	**31 DECEMBER 2019**	**31 DECEMBER 2018**	**31 DECEMBER 2019**	**31 DECEMBER 2018**
Financial assets	**198,013**	190,564	**158,897**	172,504
Non-financial assets	**297,650**	112,376	**297,574**	106,039
Total	**495,663**	**302,939**	**456,471**	**278,543**

Of which:

	GROUP		BANK	
IN RON THOUSAND	**31 DECEMBER 2019**	**31 DECEMBER 2018**	**31 DECEMBER 2019**	**31 DECEMBER 2018**
Current assets	**119,525**	187,071	**80,409**	169,012
Impaired assets	**78,488**	3,492	**78,488**	3,492
Total	**198,013**	**190,564**	**158,897**	**172,504**

29. DEFERRED TAX

Deferred tax assets of the Group are attributable to the items detailed in the tables below:

GROUP				31 DECEMBER 2019
IN RON THOUSAND	ASSETS	LIABILITIES	NET	DEFERRED TAX ASSET/ (LIABILITY)
Property, plant and equipment and intangible assets	977	62,591	(61,614)	(9,858)
Other liabilities	77,853	–	77,853	12,456
Valuation reserve financial assets (AFVOCI)	500	52,735	(52,235)	(8,358)
Provisions for liabilities and charges	168,342	–	168,342	26,935
Total	**247,672**	**115,326**	**132,346**	**21,175**

GROUP				31 DECEMBER 2018
IN RON THOUSAND	ASSETS	LIABILITIES	NET	DEFERRED TAX ASSET/ (LIABILITY)
Property, plant and equipment and intangible assets	1,005	74,332	(73,327)	(11,732)
Other liabilities	106,010	802	105,208	16,833
Valuation reserve financial assets (AFVOCI)	4,080	31,374	(27,294)	(4,367)
Provisions for liabilities and charges	171,144	291	170,853	27,337
Total	**282,239**	**106,799**	**175,440**	**28,071**

Deferred tax assets of the Bank are attributable to the items detailed in the tables below:

BANK				31 DECEMBER 2019
IN RON THOUSAND	ASSETS	LIABILITIES	NET	DEFERRED TAX ASSET/ (LIABILITY)
Property, plant and equipment and intangible assets	977	62,591	(61,614)	(9,858)
Other liabilities	77,853	–	77,853	12,456
Valuation reserve financial assets (AFVOCI)	500	52,735	(52,235)	(8,358)
Provisions for liabilities and charges	150,581	–	150,581	24,094
Total	**229,911**	**115,326**	**114,585**	**18,334**

BANK				31 DECEMBER 2018
IN RON THOUSAND	ASSETS	LIABILITIES	NET	DEFERRED TAX ASSET/ (LIABILITY)
Property, plant and equipment and intangible assets	1,005	74,332	(73,327)	(11,732)
Other liabilities	106,010	802	105,208	16,833
Valuation reserve financial assets (AFS)	4,080	31,374	(27,294)	(4,367)
Provisions for liabilities and charges	160,979	291	160,688	25,710
Total	**272,074**	**106,799**	**165,275**	**26,444**

Expenses and income deferred tax as at December 31, 2019 are attributable to the items detailed in the table below:

	GROUP		BANK	
IN RON THOUSAND	2019	2018	2019	2018
Property, plant and equipment and intangible assets	1,874	2,371	1,874	2,370
Valuation reserve financial assets	(627)	43	(627)	43
Other liabilities	(4,142)	(307)	(3,750)	(327)
Provisions for liabilities and charges	(402)	14,306	(1,617)	12,797
Deferred tax income / (expense)	**(3,297)**	**16,413**	**(4,120)**	**14,883**

Deferred tax related to items recognised in other comprehensive income during the year is due to unrealised gain/loss on financial assets (AFVOCI).

30. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

GROUP

IN RON THOUSAND	LAND AND BUILDINGS	FURNITURE AND COMPUTER EQUIPMENT	MOTOR VEHICLES	ASSETS IN PROGRESS	RIGHT-OF-USE ASSETS LAND AND BUILDINGS	TOTAL
COST						
Balance at 1 January 2018	**203,404**	**483,108**	**35,565**	**18,886**	**–**	**740,963**
Additions	–	4,968	1,653	51,504	–	58,125
Transfers	6,116	37,105	–	(43,221)	–	–
Disposals	(9,454)	(119,458)	(2,470)	(14,964)	–	(146,346)
Balance at 31 December 2018	**200,066**	**405,723**	**34,748**	**12,205**	**–**	**652,742**
Effect of adoption IFRS 16 as at January 1, 2019	–	–	–	–	408,867	408,867
Balance at 1 January 2019	**200,066**	**405,723**	**34,748**	**12,205**	**408,867**	**1,061,609**
Additions	–	17,366	3,318	95,198	33,565	149,447
Transfers	8,891	51,986	574	(61,451)	–	–
Disposals	(7,175)	(52,191)	(1,322)	(9,996)	–	(70,684)
Balance at 31 December 2019	**201,782**	**422,884**	**37,318**	**35,956**	**442,432**	**1,140,372**
DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 January 2018	**159,211**	**343,958**	**16,712**	**–**	**–**	**519,881**
Charge for the year	7,815	41,061	5,590	–	–	54,466
Disposals	(8,898)	(113,864)	(2,117)	–	–	(124,879)
Balance at 31 December 2018	**158,128**	**271,155**	**20,185**	**–**	**–**	**449,468**
Balance at 1 January 2019	**158,128**	**271,155**	**20,185**	**–**	**–**	**449,468**
Charge for the year	8,480	50,243	6,234	–	92,998	157,955
Disposals	(7,128)	(47,486)	(1,007)	–	–	(55,621)
Balance at 31 December 2019	**159,480**	**273,912**	**25,412**	**–**	**92,998**	**551,802**
CARRYING AMOUNTS						
At 1 January 2018	**44,193**	**139,150**	**18,853**	**18,886**	**–**	**221,082**
At 31 December 2018	**41,938**	**134,568**	**14,563**	**12,205**	**–**	**203,274**
At 1 January 2019	**41,938**	**134,568**	**14,563**	**12,205**	**408,867**	**612,141**
At 31 December 2019	**42,302**	**148,972**	**11,906**	**35,956**	**349,434**	**588,570**

Under "Assets in progress" category, the Group includes investments in branch redesign, technological equipment, vehicles and furniture, which are not yet put in function.

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 2018	**203,382**	**483,169**	**33,904**	**18,886**	**–**	**739,341**
Additions	–	4,879	349	51,504	–	56,732
Transfers	6,116	37,105	–	(43,221)	–	–
Disposals	(9,454)	(119,115)	(1,388)	(14,964)	–	(144,921)
Balance at 31 December 2018	**200,044**	**406,038**	**32,865**	**12,205**	**–**	**651,152**
Effect of adoption IFRS 16 as at January 1, 2019	–	–	–	–	408,867	408,867
Balance at 1 January 2019	**200,044**	**406,038**	**32,865**	**12,205**	**408,867**	**1,060,019**
Additions	–	16,788	2,442	91,327	33,565	144,122
Transfers	8,891	51,986	574	(61,451)	–	–
Disposals	(7,175)	(51,495)	(925)	(9,983)	–	(69,578)
Balance at 31 December 2019	**201,760**	**423,317**	**34,956**	**32,098**	**442,432**	**1,134,563**
DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 January 2018	**159,126**	**345,997**	**14,733**	**–**	**–**	**519,856**
Charge for the year	7,815	40,941	5,042	–	–	53,798
Disposals	(8,898)	(113,610)	(1,111)	–	–	(123,619)
Balance at 31 December 2018	**158,043**	**273,328**	**18,664**	**–**	**–**	**450,035**
Balance at 1 January 2019	**158,043**	**273,328**	**18,664**	**–**	**–**	**450,035**
Charge for the year	8,480	50,801	5,103	–	92,998	157,382
Disposals	(7,128)	(51,326)	(646)	–	–	(59,100)
Balance at 31 December 2019	**159,395**	**272,803**	**23,121**	**–**	**92,998**	**548,317**
CARRYING AMOUNTS						
At 1 January 2018	**44,256**	**137,172**	**19,171**	**18,886**	**–**	**219,485**
At 31 December 2018	**42,001**	**132,710**	**14,201**	**12,205**	**–**	**201,117**
At 1 January 2019	**42,001**	**132,710**	**14,201**	**12,205**	**408,867**	**609,984**
At 31 December 2019	**42,365**	**150,514**	**11,835**	**32,098**	**349,434**	**586,246**

Group: Purchases of property, plant and equipment during year 2019 were in amount of RON 149,447 thousand (2018: RON 58,125 thousand).

Bank: Purchases of property, plant and equipment during year 2019 were in amount of RON 144,122 thousand (2018: RON 56,732 thousand).

31. INTANGIBLE ASSETS

GROUP

IN RON THOUSAND	PURCHASED SOFTWARE	ASSETS IN PROGRESS	TOTAL
COST			
Balance at 1 January 2018	**418,448**	**79,690**	**498,138**
Additions	932	81,580	82,512
Transfers	82,941	(82,941)	–
Disposals	(4,919)	(713)	(5,632)
Balance at 31 December 2018	**497,402**	**77,616**	**575,018**
Balance at 1 January 2019	**497,402**	**77,616**	**575,018**
Additions	1,688	139,207	140,895
Transfers	99,513	(99,513)	–
Disposals	(2,985)	(16,861)	(19,846)
Balance at 31 December 2019	**595,618**	**100,449**	**696,067**
AMORTIZATION AND IMPAIRMENT LOSSES			
Balance at 1 January 2018	**336,020**	–	**336,020**
Charge for the year	62,847	–	62,847
Disposals	(4,964)	–	(4,964)
Balance at 31 December 2018	**393,903**	–	**393,903**
Balance at 1 January 2019	**393,903**	–	**393,903**
Charge for the year	72,164	–	72,164
Disposals	(3,512)	–	(3,512)
Balance at 31 December 2019	**462,555**	–	**462,555**
CARRYING AMOUNTS			
At 1 January 2018	**82,428**	**79,690**	**162,118**
At 31 December 2018	**103,499**	**77,616**	**181,115**
At 1 January 2019	**103,499**	**77,616**	**181,115**
At 31 December 2019	**133,063**	**100,449**	**233,512**

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.

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2019

BANK

IN RON THOUSAND	PURCHASED SOFTWARE	ASSETS IN PROGRESS	TOTAL
COST			
Balance at 1 January 2018	**418,517**	**79,105**	**497,622**
Additions	–	100,226	100,226
Transfers	82,941	(82,941)	–
Disposals	(4,865)	(19,789)	(24,654)
Balance at 31 December 2018	**496,593**	**76,601**	**573,194**
Balance at 1 January 2019	**496,593**	**76,601**	**573,194**
Additions	31	139,207	139,238
Transfers	99,513	(99,513)	–
Disposals	(2,985)	(16,552)	(19,537)
Balance at 31 December 2019	**593,152**	**99,743**	**692,895**
AMORTIZATION AND IMPAIRMENT LOSSES			
Balance at 1 January 2018	**337,625**	–	**337,625**
Charge for the year	62,072	–	62,072
Disposals	(4,964)	–	(4,964)
Balance at 31 December 2018	**394,733**	–	**394,733**
Balance at 1 January 2019	**394,733**	–	**394,733**
Charge for the year	70,997	–	70,997
Disposals	(2,975)	–	(2,975)
Balance at 31 December 2019	**462,755**	–	**462,755**
CARRYING AMOUNTS			
At 1 January 2018	**80,892**	**79,105**	**159,997**
At 31 December 2018	**101,860**	**76,601**	**178,461**
At 1 January 2019	**101,860**	**76,601**	**178,461**
At 31 December 2019	**130,397**	**99,743**	**230,140**

Group: Purchases of intangible assets during year 2019 were in amount of RON 140,895 thousand (2018: RON 82,512 thousand).

Bank: Purchases of intangible assets during year 2019 were in amount of RON 139.238 thousand (2018: RON 100,226 thousand).

32. DEPOSITS FROM BANKS

IN RON THOUSAND	GROUP 31 DECEMBER 2019	GROUP 31 DECEMBER 2018	BANK 31 DECEMBER 2019	BANK 31 DECEMBER 2018
Payable on demand	308,664	389,456	308,665	389,456
Sight deposits	–	34,000	–	34,000
Term deposits	6	112,614	6	112,614
Total	**308,670**	**536,070**	**308,671**	**536,070**

33. DEPOSITS FROM CUSTOMERS

IN RON THOUSAND	GROUP 31 DECEMBER 2019	GROUP 31 DECEMBER 2018	BANK 31 DECEMBER 2019	BANK 31 DECEMBER 2018
PAYABLE ON DEMAND				
Retail customers	17,867,275	13,990,884	17,543,201	13,990,884
Non-retail customers	7,841,394	6,382,265	7,858,951	6,424,635
	25,708,669	**20,373,149**	**25,402,152**	**20,415,519**
TERM DEPOSITS				
Retail customers	8,378,420	9,159,442	8,378,420	9,159,442
Non-retail customers	2,021,422	3,517,463	2,021,422	3,517,463
	10,399,842	**12,676,905**	**10,399,842**	**12,676,905**
SAVINGS ACCOUNTS				
Retail customers	315	1,149	316	1,149
	315	**1,149**	**316**	**1,149**
Total	**36,108,826**	**33,051,203**	**35,802,310**	**33,093,573**

34. TOTAL LONG TERM DEBT

IN RON THOUSAND	GROUP 31 DECEMBER 2019	GROUP 31 DECEMBER 2018	BANK 31 DECEMBER 2019	BANK 31 DECEMBER 2018
Senior loans from banks and financial institutions	512,962	809,898	42,269	108,274
Of which unsecured:	275,746	616,882	–	72,966
Debt securities issued	480,617	512,458	480,617	516,179
Subordinated liabilities	408,645	855,678	408,645	855,678
Total	**1,402,224**	**2,178,034**	**931,531**	**1,480,131**

(i) Senior loans from banks and financial institutions are detailed in the table from below:

IN RON THOUSAND	GROUP 31 DECEMBER 2019	GROUP 31 DECEMBER 2018	BANK 31 DECEMBER 2019	BANK 31 DECEMBER 2018
Commercial banks	275,746	543,915	–	–
Multilateral Development Banks	203,998	193,010	9,051	35,301
Other financial institutions	33,218	72,973	33,218	72,973
Total loans from banks and financial institutions	**512,962**	**809,898**	**42,269**	**108,274**

The loans received from banks and other financial institutions are denominated in EUR and RON, with a final maturity which varies between March 2020 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, 2019 the Bank has commitments received from credit institutions in amount of EUR 50,000 thousand (December 31, 2018: EUR 50,000 thousand).

(ii) Debt securities issued

Group: The balance of debt securities issued as at December 31, 2019, including accrued interest, is in amount of RON 480.617 thousand (December 31, 2018: RON 512,458 thousand).

Bank: The balance of debt securities issued as at December 31, 2019, including accrued interest, is in amount of RON 480.617 thousand (December 31, 2018: RON 516,179 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. Still, according to the terms and conditions of the bonds, the Bank will make an application for Bonds to be admitted to trading on the Regulated Spot Market of the Bucharest Stock Exchange on a date expected to fall on or around 30 April 2020. Once admitted to trading, the Bonds will be quoted under ISIN code: ROJX86UZW1R4.

The debt securities issued existing in balance on 31 December 2018 arrived at maturity in May 2019 and were repaid on due date.

(iii) Subordinated liabilities

The balance of subordinated liabilities as at December 31, 2019, in RON equivalents, including accrued interest is RON 408,645 thousand (December 31, 2018: RON 855,678 thousand).

The subordinated loans in balance as of December 31, 2019 were in amount of EUR 85,000 thousand (December 31, 2018: EUR 145,000 thousand; CHF 42,000).

During 2019, the Bank repaid two subordinated loans, one in amount of CHF 42,000 thousand and the other one in amount of EUR 100,000 thousand. At the same time, in 2019 the Bank contracted a new subordinated loan, in amount of EUR 40,000 thousand.

All subordinated loans are granted by Raiffeisen Bank International A.G.

The below table shows the split of total long term debt by contractual maturities as of December 31, 2019:

GROUP

IN RON THOUSAND	LESS THAN 1 YEAR	OVER 1 YEAR	TOTAL
Senior loans from banks and financial institutions	202,048	310,914	**512,962**
Of which unsecured	137,694	138,052	**275,746**
Debt securities issued	–	480,617	**480,617**
Subordinated liabilities	3,684	404,961	**408,645**
Total	**205,732**	**1,196,492**	**1,402,224**

BANK

IN RON THOUSAND	LESS THAN 1 YEAR	OVER 1 YEAR	TOTAL
Senior loans from banks and financial institutions	24,474	17,795	**42,269**
Of which unsecured	–	–	**–**
Debt securities issued	–	480,617	**480,617**
Subordinated liabilities	3,684	404,961	**408,645**
Total	**28,158**	**903,373**	**931,531**

The below table shows the split of total long term debt by contractual maturities as of December 31, 2018:

GROUP

IN RON THOUSAND	LESS THAN 1 YEAR	OVER 1 YEAR	TOTAL
Senior loans from banks and financial institutions	322,977	486,921	**809,898**
Of which unsecured	239,495	377,387	**616,882**
Debt securities issued	512,458	–	**512,458**
Subordinated liabilities	5,519	850,159	**855,678**
Total	**840,954**	**1,337,080**	**2,178,034**

BANK

IN RON THOUSAND	LESS THAN 1 YEAR	OVER 1 YEAR	TOTAL
Senior loans from banks and financial institutions	63,545	44,729	**108,274**
Of which unsecured	36,719	36,247	**72,966**
Debt securities issued	516,179	–	**516,179**
Subordinated liabilities	5,519	850,159	**855,678**
Total	**585,243**	**894,888**	**1,480,131**

35. OTHER LIABILITIES

IN RON THOUSAND	GROUP 31 DECEMBER 2019	GROUP 31 DECEMBER 2018	BANK 31 DECEMBER 2019	BANK 31 DECEMBER 2018
Lease liability	349,992	–	349,992	–
Amounts due to state budget for social security	25,808	34,560	25,535	34,292
Short-term employee benefits	58,026	71,852	56,978	71,852
Accrual for suppliers	111,230	116,593	111,153	116,444
Cash in transit (i)	144,300	210,398	144,300	210,398
Deferred income	41,181	45,295	41,181	45,295
Other liabilities(ii)	184,184	120,718	174,458	115,241
Total	**914,721**	**599,416**	**903,597**	**593,522**

(i) Cash in transit includes payments which should be settled with other banks of RON 101,866 thousand (2018: RON 178,406 thousand) and receipts which should be settled with current accounts RON 42,434 thousand (2018: RON 31,983 thousand).

(ii) Other liabilities include credit cards of RON 39.705 thousand (2018: RON 42,246 thousand), liabilities due to customers of RON 37,083 thousand (2018: 11,673 thousand RON), deposits representing the share capital at companies in course of set-up of RON 16,318 thousand (2018: RON 29,973 thousand) and receivable from guarantees received of RON 7,172 thousand (2018: RON 8,896 thousand).

Below is presented the lease liability movement during the period:

IN RON THOUSAND	GROUP	BANK
As at 1 January – effect of adoption of IFRS 16	392,155	392,155
Additions	36,675	36,675
Accretion of interest	3,644	3,644
Payments	(92,181)	(92,181)
FX differences	9,700	9,700
As at December 31, 2019	349,992	349,992

36. PROVISIONS

IN RON THOUSAND	GROUP 31 DECEMBER 2019	GROUP 31 DECEMBER 2018	BANK 31 DECEMBER 2019	BANK 31 DECEMBER 2018
Provisions for litigations and potential risks (i)	143,268	27,291	94,017	26,973
Provision for un-drawn commitments (ii)	77,415	69,405	77,096	69,405
Provision for employee benefits (iii)	3,609	3,621	3,372	3,621
Provisions for overdue vacations	12,470	10,934	12,470	10,707
Provisions for severance payments and similar obligations	665	5,313	665	5,102
Sundry provisions	2,350	17,117	904	15,500
Total	**239,777**	**133,681**	**188,524**	**131,308**

(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, 2019, the provisions related to individual consumer loan litigations amounted to 16,453 RON thousand (2018: RON 16,910 thousand). They are due to contractual clauses that may generate losses because they are considered unfair by customers. The existing provisions are both for ongoing litigations and for potential ones (which might result in litigations in the future).
b. Order no 837 dated October 20, 2017 received from the National Authority for Consumer Protection. As of 20 October 2017, the Bank received from National Authority for Consumer Protection (further called "ANPC") an order (no. 837) which requires the cancellation of an alleged incorrect practice of non-informing the customers about the future interest evolution upon loan origination. In addition to a RON 50,000 fine, the Bank is required to bring the contracts to the situation before the illegal practice, including the issue of a new reimbursement plan, with the conditions applicable on signing date. This is in contradiction with the effects of an order aimed at stopping a practice which has effects in the future and is not an action in cancellation which would have been retrospective. At the date of these financial statements, the Order is definitively suspended and a litigation regarding its validity is ongoing. In the first instance, the Bank lost the litigation with ANPC. Still, the Bank has initiated the appeal at the High Court of Cassation and Justice, with an arraignment on December 7, 2021. The decision of the first instance has no legal effect, taking into consideration that the Order is suspended until an irrevocably decision is made in this file. For this legal dispute, the Bank calculated a provision based on all possible scenarios, which are weighed with probabilities in order to obtain the best estimated expected loss. The value of this provision, as of December 31, 2019, is RON 67,931 thousand (2018: nil) and has been made as a result of losing the litigation in the first instance.
c. 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 case is in appeal at the High Court of Cassation and Justice. 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, 2019 the Group made a provision of RON 47,903 thousand (2018: RON 7,217 thousand), which represent the possible outcomes of different scenarios (regarding the repayment of premiums and related penalties), weighted by their associated probabilities. In its separate financial statements, the Bank has fully provisioned its participation in ABL, meaning a provision of RON 42,481 thousand (2018: RON 25,613 thousand).
d. The litigation between Raiffeisen Leasing IFN S.A. and the Romanian Competition Council. The Romanian Competition Council initiated an investigation in November 2017 on the financial leasing and consumer credit market in Romania. The Investigation was focused on an alleged coordination of the commercial policies by way of an exchange of commercially sensitive information between financial leasing companies, members of several trade associations, including ALB Romania, starting with 2008. The Competition Council issued the Report on October 2019, which contained a fine established around 8% applied to the company turnover. In December 2019, the Company submitted the observations to Report, arguing the applicability of a series of mitigating circumstances, which could cancel the decision or at least reduce the fine. As of December 31, 2019, considering that the final fine is not yet available, the provision booked by the Group in respect of this legal dispute is in amount of RON 1,028 thousand. This represents the best estimate of the possible loss, considering 2 scenarios weighted with related probabilities.

(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 loss given default related to exposure not covered by collaterals.

(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 2019 using indicators such as: remaining number of years with the company up to retirement, probability that employee will stay with the company up to retirement, current salary, average number of salaries paid as benefit at retirement, age, sex, expected age of retirement as per current legislation. Statistical assumptions used in provision computation in 2019 are consistent with those at year end 2018, revised as per current year available information.

During 2019 the provisions can be further analyzed as follows:

GROUP

IN RON THOUSAND	OPENING BALANCE	ALLOCATION	RELEASE	CLOSING BALANCE
Provisions for litigations and potential risks (i)	27,291	115,977	–	143,268
Provision for un-drawn commitments	69,405	8,010	–	77,415
Provisions for employee benefits	3,621	–	(12)	3,609
Provisions for overdue vacations	10,934	1,536	–	12,470
Provisions for severance payments and similar obligations	5,313	–	(4,648)	665
Sundry provisions	17,117	–	(14,767)	2,350
TOTAL	**133,681**	**125,523**	**(19,427)**	**239,777**

During 2018 the provisions can be further analyzed as follows:

GROUP

IN RON THOUSAND	OPENING BALANCE	ALLOCATION	RELEASE	IFRS 9 IMPACT	CLOSING BALANCE
Provisions for litigations and potential risks	32,525	–	(5,234)	–	27,291
Provision for un-drawn commitments	25,542	68,641	(40,454)	15,676	69,405
Provisions for employee benefits	4,118	–	(497)	–	3,621
Provisions for overdue vacations	9,875	1,268	(209)	–	10,934
Provisions for share incentive plan	1,586	–	(1,586)	–	–
Provisions for severance payments and similar obligations	4,177	5,350	(4,214)	–	5,313
Sundry provisions	2,641	24,426	(9,950)	–	17,117
TOTAL	**80,464**	**99,685**	**(62,144)**	**15,676**	**133,681**

During 2019 the provisions can be further analyzed as follows:

BANK

IN RON THOUSAND	OPENING BALANCE	ALLOCATION	RELEASE	CLOSING BALANCE
Provisions for litigations and potential risks	26,973	67,044	–	94,017
Provision for un-drawn commitments	69,405	7,691	–	77,096
Provisions for employee benefits	3,621	–	(249)	3,372
Provisions for overdue vacations	10,707	1,763	–	12,470
Provisions for severance payments and similar obligations	5,102	–	(4,437)	665
Sundry provisions	15,500	–	(14,596)	904
TOTAL	**131,308**	**76,498**	**(19,282)**	**188,524**

During 2018 the provisions can be further analyzed as follows:

BANK

IN RON THOUSAND	OPENING BALANCE	ALLOCATION	RELEASE	IFRS 9 IMPACT	CLOSING BALANCE
Provisions for litigations and potential risks	32,525	–	(5,552)	–	26,973
Provision for un-drawn commitments	25,542	68,641	(40,454)	15,676	69,405
Provisions for employee benefits	4,118	–	(497)	–	3,621
Provisions for overdue vacations	9,666	1,041	–	–	10,707
Provisions for share incentive plan	1,586	–	(1,586)	–	–
Provisions for severance payments and similar obligations	4,000	5,102	(4,000)	–	5,102
Sundry provisions	600	15,500	(600)	–	15,500
TOTAL	**78,037**	**90,284**	**(52,689)**	**15,676**	**131,308**

37. SHARE CAPITAL

As of December 31, 2019 the number of shares is 12,000 and there were no changes in shares structure.

Share capital in amount of RON 1.2 bln consists in 12,000 shares with a nominal value of RON 100,000/share.

The dividends paid by Raiffeisen Bank S.A during 2019 were amounted to RON 444,000,000 previous year profit (dividend per share RON 37,000 /share).

The shareholders of the Group are as follows:

	31 DECEMBER 2019 %	31 DECEMBER 2018 %
Raiffeisen SEE Region Holding GmbH	99.925	99.925
Other shareholders	0.075	0.075
Total	100	100

38. OTHER EQUITY INSTRUMENTS

Other equity instruments are comprised of subordinated unsecured instruments notes issued by the Group that are classified as equity instruments in accordance to IAS 32 "Financial Instruments: Presentation". The instruments meet the criteria for inclusion in Group Tier 1 own funds, as they qualify as Additional Tier 1 instruments, as defined by Regulation (EU) No. 575/2013 (CRR), article 52. They are perpetual instruments, with no maturity, while the issuer's reimbursement is limited and subject to supervisory approval.

Although the notes include a coupon rate, this is fully discretionary and is paid out of the distributable profits. In case the Group's CET 1 Capital Ratio is below a certain threshold, this might trigger full or partial write-down of the notes. The write-down is temporary and can be followed by a write-up, which is at the sole discretion of the issuer and compliance with applicable supervisory regulations.

The total issue of the notes amounts to EUR 50 million and have been purchased by Raiffeisen Bank International A.G. (please refer to note 40 Related party transactions).

39. OTHER RESERVES

IN RON THOUSAND	GROUP 31 DECEMBER 2019	GROUP 31 DECEMBER 2018	BANK 31 DECEMBER 2019	BANK 31 DECEMBER 2018
Statutory reserve (i)	242,128	242,128	240,000	240,000
Fair value loss taken to equity (net of tax), investments securities FVOCI	37,974	20,801	39,688	22,674
Total	**280,102**	**262,929**	**279,688**	**262,674**

The table below presents the fair value reserve for financial assets FVOCI:

IN RON THOUSAND	GROUP 2019	GROUP 2018	BANK 2019	BANK 2018
At 1 January	**20,801**	**(7,929)**	**22,674**	**(5,889)**
Impact of adopting IFRS 9	–	3,630	–	3,630
Change in fair value reserve (for financial assets FVOCI)	17,173	25,001	17,014	24,933
At 31 December	**37,974**	**20,702**	**39,688**	**22,674**

40. RELATED PARTY TRANSACTIONS

The Group entered into a number of banking transactions with Raiffeisen Bank International AG, the ultimate controlling party, and its subsidiaries in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rate.

The transactions and balances with related parties are presented in tables below:

GROUP

						2019
IN RON THOUSAND	**PARENT**	**ASSOCIATES**	**JOINT VENTURES**	**KEY PERSONNEL**	**OTHER INTEREST**	**TOTAL**
Trading assets	354	–	–	–	–	354
Derivative assets held for risk management	8,843	–	–	–	–	8,843
Loans and advances to banks at amortised cost	46,061	–	–	–	1,267	47,328
Investment in subsidiaries, associates and joint ventures	–	17,780	–	–	–	17,780
Equity instruments at fair value through other comprehensive income	–	–	–	–	61,902	61,902
Loans and advances to customers at amortised cost	–	–	–	6,982	216,136	223,118
Other assets	330	–	–	–	35	365
Outstanding assets	**55,588**	**17,780**	**–**	**6,982**	**279,340**	**359,690**
Derivative liabilities held for risk management	25,249	–	–	–	–	25,249
Derivatives – hedge accounting	3,497	–	–	–	–	3,497
Trading liabilities	6,737	–	–	–	–	6,737
Deposits from banks	16,833	–	–	–	2,865	19,698
Deposits from customers	–	–	–	–	32,950	32,950
Subordinated liabilities	408,645	–	–	–	–	408,645
Other equity instruments	238,599	–	–	–	–	238,599
Outstanding liabilities	**699,560**	**–**	**–**	**–**	**35,815**	**735,375**
Guarantees issued	28,936	–	–	–	49,319	78,255
Commitments received	238,965	–	–	–	–	238,965
Guarantees received	78,196	–	–	–	58,507	136,703
Notional amount of derivative instruments	3,434,087	–	–	–	–	3,434,087

GROUP

IN RON THOUSAND	PARENT	ASSOCIATES	JOINT VENTURES	KEY PERSONNEL	OTHER INTEREST	TOTAL
						2018
Trading assets	8,072	–	–	–	–	8,072
Derivative assets held for risk management	8,621	–	–	–	–	8,621
Loans and advances to banks at amortised cost	14,210	–	–	–	156	14,366
Investment in subsidiaries, associates and joint ventures	–	–	–	7,139	195,458	202,597
Loans and advances to customers at amortised cost	–	–	–	–	7,180	7,180
Other assets	153	–	263	–	1,366	1,782
Outstanding assets	**31,056**	**–**	**263**	**7,139**	**204,160**	**242,618**
Derivative liabilities held for risk management	6,939	–	–	–	–	6,939
Trading liabilities	8,911	–	–	–	–	8,911
Deposits from banks	83,270	–	794	–	11,115	95,179
Deposits from customers	–	13,091	–	13,006	102,441	128,538
Debt securities issued	–	–	–	–	4,568	4,568
Subordinated liabilities	855,678	–	–	–	–	855,678
Other liabilities	–	–	–	–	–	–
Outstanding liabilities	**954,798**	**13,091**	**794**	**13,006**	**118,124**	**1,099,813**
Commitments given	–	–	12,000	–	14,294	26,294
Guarantees issued	88,774	–	–	–	48,139	136,913
Commitments received	233,195	–	–	–	–	233,195
Guarantees received	152,564	–	–	–	54,687	207,251
Notional amount of derivative instruments	4,824,045	–	–	–	–	4,824,045

BANK

							2019
IN RON THOUSAND	PARENT	SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY PERSONNEL	OTHER INTEREST	TOTAL
Trading assets	354	–	–	–	–	–	354
Derivative assets held for risk management	8,843	–	–	–	–	–	8,843
Loans and advances to banks at amortised cost	46,061	–	–	–	–	1,267	47,328
Investment in subsidiaries, associates and joint ventures	–	91,884	6,069	–	–	–	97,953
Equity instruments at fair value through other comprehensive income	–	–	–	–	–	61,902	61,902
Loans and advances to customers at amortised cost	–	495,410	–	–	6,982	216,136	718,528
Other assets	330	6,214	–	–	–	35	6,579
Outstanding assets	**55,588**	**593,508**	**6,069**	**–**	**6,982**	**279,340**	**941,487**
Derivative liabilities held for risk management	25,249	–	–	–	–	–	25,249
Derivatives – hedge accounting	3,497	–	–	–	–	–	3,497
Trading liabilities	6,737	–	–	–	–	–	6,737
Deposits from banks	16,833	229	–	–	–	2,865	19,927
Deposits from customers	–	36,106	–	–	–	32,950	69,056
Debt securities issued	–	–	–	–	–	–	–
Subordinated liabilities	408,645	–	–	–	–	–	408,645
Other equity instruments	238,599	–	–	–	–	–	238,599
Outstanding liabilities	**699,560**	**36,335**	**–**	**–**	**–**	**35,815**	**771,710**
Commitments given	–	98,027	–	–	–	–	98,027
Guarantees issued	28,936	–	–	–	–	49,319	78,255
Commitments received	238,965	–	–	–	–	–	238,965
Guarantees received	78,196	–	–	–	–	58,507	136,703
Notional amount of derivative instruments	3,434,087	–	–	–	–	–	3,434,087

BANK

IN RON THOUSAND	PARENT	SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY PERSONNEL	OTHER INTEREST	2018 TOTAL
Trading assets	8,072	–	–	–	–	–	8,072
Derivative assets held for risk management	8,621	–	–	–	–	–	8,621
Deposits to banks	14,210	–	–	–	–	156	14,366
Investment in subsidiaries, associates and joint ventures	–	171,426	–	–	7,139	195,457	374,022
Loans and advances to customers	–	91,884	6,069	7,396	–	7,180	112,529
Other assets	153	7,701	–	263	–	1,367	9,484
Outstanding assets	**31,056**	**271,011**	**6,069**	**7,659**	**7,139**	**204,160**	**527,094**
Derivative liabilities held for risk management	6,939	–	–	–	–	–	6,939
Trading liabilities	8,911	–	–	–	–	–	8,911
Deposits from banks	83,270	–	–	794	–	11,115	95,179
Deposits from customers	–	54,723	13,091	–	13,006	102,441	183,261
Debt securities issued	–	3,720	–	–	–	4,578	8,288
Subordinated liabilities	855,678	–	–	–	–	–	855,678
Other liabilities	–	–	–	–	–	–	–
Outstanding liabilities	**954,798**	**58,443**	**13,091**	**794**	**13,006**	**118,124**	**1,158,256**
Commitments given	–	–	–	12,000	–	14,294	26,294
Guarantees issued	88,774	–	–	–	–	48,139	136,913
Commitments received	233,195	–	–	–	–	–	233,195
Guarantees received	152,564	–	–	–	–	54,687	207,251
Notional amount of derivative instruments	4,824,045	3,381	–	–	–	–	4,827,426

GROUP

						2019
IN RON THOUSAND	**PARENT**	**ASSOCIATES**	**JOINT VENTURES**	**KEY PERSONNEL**	**OTHER INTEREST**	**TOTAL**
Interest income	175	–	–	61	4.478	4.714
Interest expense	(49.785)	–	–	–	(121)	(49.906)
Fees and commissions income	865	13	–	–	634	1.512
Fees and commissions expenses	(1.887)	–	–	–	(10.522)	(12.409)
Net trading income	(26.488)	–	–	–	–	(26.488)
Operating expenses	(23.463)	–	–	–	(13.185)	(36.648)
Personnel expenses	–	–	–	(36.018)	–	(36.018)

						2018
IN RON THOUSAND	**PARENT**	**ASSOCIATES**	**JOINT VENTURES**	**KEY PERSONNEL**	**OTHER INTEREST**	**TOTAL**
Interest income	2,512	–	2	183	4,526	7,223
Interest expense	(55,672)	–	(8)	–	(950)	(56,630)
Fees and commissions income	701	–	101	1	30	833
Fees and commissions expenses	(3,091)	–	–	–	(9,591)	(12,682)
Net trading income	34,331	–	–	–	–	34,331
Operating expenses	(43,801)	–	–	–	(36,203)	(80,004)
Personnel expenses	–	–	–	(33,754)	–	(33,754)
Other operating income	–	–	–	–	26	26

Operating expenses include mostly IT costs, legal, advisory and consulting expenses and office space expenses such as rental, maintenance and others.

BANK

IN RON THOUSAND	PARENT	SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY PERSONNEL	OTHER INTEREST	TOTAL
							2019
Interest income	175	5,188	–	–	61	4,478	9,902
Interest expense	(49,785)	(30)	–	–	–	(121)	(49,936)
Fees and commissions income	865	13,314	13	–	1	634	14,826
Fees and commissions expenses	(1,887)	–	–	–	–	(10,522)	(12,409)
Net trading income	(26,488)	–	–	–	–	–	(26,488)
Operating expenses	(23,463)	–	–	–	–	(13,185)	(36,648)
Personnel expenses	–	–	–	–	(36,018)	–	(36,018)
Dividend income	–	4,869	926	–	–	–	5,795
Other operating income	–	1,856	–	–	–	–	1,856

IN RON THOUSAND	PARENT	SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY PERSONNEL	OTHER INTEREST	TOTAL
							2018
Interest income	2,512	3,583	–	2	183	4,526	10,806
Interest expense	(55,672)	–	–	(8)	–	(950)	(56,630)
Fees and commissions income	701	34,747	–	101	1	30	35,580
Fees and commissions expenses	(3,091)	–	–	–	–	(9,591)	(12,682)
Net trading income	34,331	–	–	–	–	–	34,331
Operating expenses	(43,801)	–	–	–	–	(36,203)	(80,004)
Personnel expenses	–	–	–	–	(33,754)	–	(33,754)
Dividend income	–	6,389	–	–	–	–	6,389
Other operating income	–	1,194	–	–	–	26	1,220

Transactions with key management personnel

Key management personnel is comprised of the members of the Supervisory Board, Management Board and other senior management as defined by the National Bank of Romania Regulation no.5/20.12.2013 related to the prudential requirements for credit institutions and amended by the Regulation no.5/17.12.2014.

The transactions between the Group and key management personnel are in the normal course of business, representing: loans granted, deposits placed, foreign currency transactions and guarantees issued.

The volumes of key management personnel transactions as at year-end and expense and income for the year are presented in the below tables.

	GROUP		BANK	
IN RON THOUSAND	**2019**	**2018**	**2019**	**2018**
Loans and advances to customers	6,982	7,139	6,982	7,139
Interest income and fees and commission income	61	184	61	184
Deposits	–	13,006	–	13,006
Interest expense	–	–	–	–

The following table shows total remuneration of the members of the Key management personnel according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards, respectively IAS 19 and IFRS 2:

KEY MANAGEMENT PERSONNEL COMPENSATION

	GROUP		BANK	
IN RON THOUSAND	**2019**	**2018**	**2019**	**2018**
Short-term employee benefits	32,475	29,856	32,475	29,856
Other long term benefits	3,543	4,145	3,543	4,145
Share-based payment	–	(247)	–	(247)
Total compensation	**36,018**	**33,754**	**36,018**	**33,754**

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 regarding deferred bonus portions in cash and retained portion payable in instruments. For the latter, valuation changes due to currency fluctuations are taken into account.

41. COMMITMENTS AND CONTINGENCIES

i) Credit related commitments

Guarantees and letters of credit
The Group issues guarantees and letters of credit for its customers. Guarantees and letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. The primary purpose of letters of credit is to ensure that funds are available to a customer as required.

Credit related commitments
Loan commitments represent unused amounts of approved credit facilities.

Off-balance sheet contractual amounts of loan commitments, guarantees and letters of credit issued are presented in the following table:

	GROUP		BANK	
IN RON THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018	31 DECEMBER 2019	31 DECEMBER 2018
Loan commitments	10,506,500	9,701,101	10,432,786	9,646,547
Guarantees issued	1,786,170	2,147,781	1,782,170	2,147,781
Letters of credit	539,063	602,544	539,063	602,544
Total	**12,831,733**	**12,451,426**	**12,754,019**	**12,396,872**

The tables below present for 31 December 2019, the split of credit related commitments on stages and credit quality:

GROUP
Non-retail financial guarantees given

	31 DECEMBER 2019			
IN RON THOUSAND INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
Excellent	3,300	470	–	3,770
Strong	613,553	916	–	614,469
Good	676,061	2,447	–	678,508
Satisfactory	856,543	34,457	–	891,000
Substandard	4,120	2,907	–	7,027
Impaired	–	–	102,020	102,020
Unrated	5,516	167	–	5,683
Total	**2,159,093**	**41,364**	**102,020**	**2,302,477**

GROUP

Non-retail financial guarantees given

IN RON THOUSAND INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
				31 DECEMBER 2018
Excellent	–	–	–	–
Strong	755,761	21,972	–	777,733
Good	859,858	2,920	–	862,778
Satisfactory	937,509	30,504	–	968,013
Substandard	4,003	4,002	–	8,005
Impaired	–	–	111,683	111,683
Unrated	–	–	–	–
Total	**2,557,131**	**59,398**	**111,683**	**2,728,212**

GROUP

Non-retail loan commitments given

IN RON THOUSAND INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
				31 DECEMBER 2019
Excellent	191,246	322	–	191,568
Strong	2,503,845	21,120	–	2,524,965
Good	2,249,119	145,363	–	2,394,482
Satisfactory	2,011,312	86,145	–	2,097,457
Substandard	1,711	54,531	–	56,242
Impaired	13	–	61,793	61,806
Unrated	48,886	134	–	49,020
Total	**7,006,132**	**307,615**	**61,793**	**7,375,540**

GROUP

Non-retail loan commitments given

IN RON THOUSAND INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
				31 DECEMBER 2018
Excellent	303,886	–	–	303,886
Strong	2,363,406	–	–	2,363,406
Good	2,191,446	49,107	–	2,240,553
Satisfactory	1,825,386	75,953	–	1,901,339
Substandard	13,445	10,644	–	24,089
Impaired	–	–	35,907	35,907
Unrated	74,085	518	–	74,603
Total	**6,771,654**	**136,222**	**35,907**	**6,943,783**

BANK

Non-retail financial guarantees given

IN RON THOUSAND INTERNAL RATING GRADE	31 DECEMBER 2019 STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
Excellent	3,300	470	–	3,770
Strong	613,553	916	–	614,469
Good	676,061	2,447	–	678,508
Satisfactory	856,543	34,457	–	891,000
Substandard	4,120	2,907	–	7,027
Impaired	–	–	102,020	102,020
Unrated	1,516	167	–	1,683
Total	**2,155,093**	**41,364**	**102,020**	**2,298,477**

BANK

Non-retail financial guarantees given

IN RON THOUSAND INTERNAL RATING GRADE	31 DECEMBER 2018 STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
Excellent	–	–	–	–
Strong	755,761	21,972	–	777,733
Good	859,858	2,920	–	862,778
Satisfactory	937,509	30,504	–	968,013
Substandard	4,003	4,002	–	8,005
Impaired	–	–	111,683	111,683
Unrated	–	–	–	–
Total	**2,557,131**	**59,398**	**111,683**	**2,728,212**

BANK
Non-retail loan commitments given

IN RON THOUSAND INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
				31 DECEMBER 2019
Excellent	191,246	322	–	191,568
Strong	2,502,525	21,120	–	2,523,645
Good	2,229,558	145,363	–	2,374,921
Satisfactory	1,974,724	85,701	–	2,060,425
Substandard	1,685	54,531	–	56,216
Impaired	13	–	60,968	60,981
Unrated	48,886	134	–	49,020
Total	**6,948,637**	**307,171**	**60,968**	**7,316,776**

BANK
Non-retail loan commitments given

IN RON THOUSAND INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
				31 DECEMBER 2018
Excellent	303,886	–	–	303,886
Strong	2,363,406	–	–	2,363,406
Good	2,184,698	48,971	–	2,233,669
Satisfactory	1,797,874	75,953	–	1,873,827
Substandard	10,503	10,644	–	21,147
Impaired	–	–	35,907	35,907
Unrated	57,851	518	–	58,369
Total	**6,718,218**	**136,086**	**35,907**	**6,890,211**

GROUP
Retail financial guarantees given

IN RON THOUSAND INTERNAL RATING GRADE	31 DECEMBER 2019 STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
Minimal Risk	–	11,369	–	11,369
Excellent Credit Standing	–	187	–	187
Very Good Credit Standing	–	443	–	443
Good Credit Standing	–	–	–	–
Sound Credit Standing	–	–	–	–
Acceptable Credit Standing	–	44	–	44
Marginal Credit Standing	–	–	–	–
Weak Credit Standing	–	–	–	–
Very Weak Credit Standing	–	–	–	–
Default	–	–	–	–
Not Rated	–	10,713	–	10,713
Total	**–**	**22,756**	**–**	**22,756**

GROUP
Retail financial guarantees given

IN RON THOUSAND INTERNAL RATING GRADE	31 DECEMBER 2018 STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
Minimal Risk	–	10,999	–	10,999
Excellent Credit Standing	–	188	–	188
Very Good Credit Standing	–	259	–	259
Good Credit Standing	–	–	–	–
Sound Credit Standing	–	–	–	–
Acceptable Credit Standing	–	–	–	–
Marginal Credit Standing	–	–	–	–
Weak Credit Standing	–	–	–	–
Very Weak Credit Standing	–	–	–	–
Default	–	–	–	–
Not Rated	–	10,667	–	10,667
Total	**–**	**22,113**	**–**	**22,113**

GROUP
Retail loan commitments given

IN RON THOUSAND INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	31 DECEMBER 2019 TOTAL
Minimal Risk	961,311	123,738	–	1,085,049
Excellent Credit Standing	40,349	300,268	–	340,617
Very Good Credit Standing	703,946	265,740	–	969,686
Good Credit Standing	261,159	61,824	–	322,983
Sound Credit Standing	169,875	29,073	–	198,948
Acceptable Credit Standing	72,895	15,491	–	88,386
Marginal Credit Standing	32,355	6,261	–	38,616
Weak Credit Standing	4,595	5,181	–	9,776
Very Weak Credit Standing	1,892	3,540	–	5,432
Default	248	–	10,075	10,323
Not Rated	45,815	15,330	–	61,145
Total	**2,294,440**	**826,446**	**10,075**	**3,130,961**

GROUP
Retail loan commitments given

IN RON THOUSAND INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	31 DECEMBER 2018 TOTAL
Minimal Risk	951,031	271,553	–	1,222,584
Excellent Credit Standing	544,366	148,212	–	692,578
Very Good Credit Standing	290,462	74,568	–	365,030
Good Credit Standing	139,189	30,171	–	169,360
Sound Credit Standing	95,833	21,837	–	117,670
Acceptable Credit Standing	54,142	13,206	–	67,348
Marginal Credit Standing	26,744	6,553	–	33,297
Weak Credit Standing	2,777	3,865	–	6,642
Very Weak Credit Standing	1,674	9,161	–	10,835
Default	209	9,973	2,469	2,678
Not Rated	59,323	9,973	–	69,293
Total	**2,165,750**	**589,099**	**2,469**	**2,757,318**

BANK
Retail Financial guarantees given

IN RON THOUSAND INTERNAL RATING GRADE	31 DECEMBER 2019			
	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
Minimal Risk	–	11,369	–	11,369
Excellent Credit Standing	–	187	–	187
Very Good Credit Standing	–	443	–	443
Good Credit Standing	–	–	–	–
Sound Credit Standing	–	–	–	–
Acceptable Credit Standing	–	44	–	44
Marginal Credit Standing	–	–	–	–
Weak Credit Standing	–	–	–	–
Very Weak Credit Standing	–	–	–	–
Default	–	–	–	–
Not Rated	–	10,713	–	10,713
Total	**–**	**22,756**	**–**	**22,756**

BANK
Retail Financial guarantees given

IN RON THOUSAND INTERNAL RATING GRADE	31 DECEMBER 2018			
	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 INDIVIDUAL	TOTAL
Minimal Risk	–	10,999	–	10,999
Excellent Credit Standing	–	188	–	188
Very Good Credit Standing	–	259	–	259
Good Credit Standing	–	–	–	–
Sound Credit Standing	–	–	–	–
Acceptable Credit Standing	–	–	–	–
Marginal Credit Standing	–	–	–	–
Weak Credit Standing	–	–	–	–
Very Weak Credit Standing	–	–	–	–
Default	–	–	–	–
Not Rated	–	10,667	–	10,667
Total	**–**	**22,113**	**–**	**22,113**

BANK

Retail Loan commitments given

			31 DECEMBER 2019	
IN RON THOUSAND INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	TOTAL
Minimal Risk	961,311	123,738	–	1,085,049
Excellent Credit Standing	40,349	300,268	–	340,617
Very Good Credit Standing	703,946	265,740	–	969,686
Good Credit Standing	261,159	61,824	–	322,983
Sound Credit Standing	169,875	29,073	–	198,948
Acceptable Credit Standing	72,895	15,491	–	88,386
Marginal Credit Standing	32,355	6,261	–	38,616
Weak Credit Standing	4,595	5,181	–	9,776
Very Weak Credit Standing	1,892	3,540	–	5,432
Default	248	–	10,075	10,323
Not Rated	30,865	15,330	–	46,195
Total	**2,279,490**	**826,446**	**10,075**	**3,116,011**

BANK

Retail Loan commitments given

			31 DECEMBER 2018	
IN RON THOUSAND INTERNAL RATING GRADE	STAGE 1 COLLECTIVE	STAGE 2 COLLECTIVE	STAGE 3 COLLECTIVE	TOTAL
Minimal Risk	951,031	271,553	–	1,222,584
Excellent Credit Standing	544,366	148,212	–	692,578
Very Good Credit Standing	290,462	74,568	–	365,030
Good Credit Standing	139,189	30,171	–	169,360
Sound Credit Standing	95,833	21,837	–	117,670
Acceptable Credit Standing	53,160	13,206	–	66,366
Marginal Credit Standing	26,744	6,553	–	33,297
Weak Credit Standing	2,777	3,865	–	6,642
Very Weak Credit Standing	1,674	9,161	–	10,835
Default	209	–	2,469	2,678
Not Rated	59,323	9,973	–	69,296
Total	**2,164,768**	**589,099**	**2,469**	**2,756,336**

(ii) Contingencies from operating lease

Contingencies from operating lease rentals, which represents future minimum payments under operating lease contracts, are as follows:

IN RON THOUSAND	GROUP 31 DECEMBER 2018	BANK 31 DECEMBER 2018
Less than 1 year	93,657	92,624
1 – 5 year	255,313	251,278
More than 5 years	98,157	93,866
Total	**447,127**	**437,768**

The table below presents future minimum payments under operating sub-lease contracts:

IN RON THOUSAND	31 DECEMBER 2018
Less than 1 year	1,008
1 – 5 year	4,036
More than 5 years	4,291
Total	**9,335**

(iii) Other contingent liabilities

On August 2018, ANPC started an inspection regarding loans originated by the Bank and subsequently sold to other entities. The inspection is not finalised at the date of these financial statements and no provision has been booked in respect of this inspection.

The current estimation about the maximum potential loss as a result of an unfavourable decision in the litigation between ABL and the Romanian Court of Auditors, described in note 36 above, is RON 127,280 thousand, out of which the amount of RON 47,903 thousand is provisioned (2018: RON 7,217 thousand).

42. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

GROUP

			2019			2018
IN RON THOUSAND	**WITHIN 12 MONTHS**	**AFTER 12 MONTHS**	**TOTAL**	**WITHIN 12 MONTHS**	**AFTER 12 MONTHS**	**TOTAL**
Cash and cash with Central Bank	6,506,880	–	6,506,880	7,197,230	–	7,197,230
Loans and advances to banks at amortised cost	207,307	–	207,307	437,854	–	437,854
Derivative assets held for risk management	7,449	1,394	8,843	8,620	–	8,620
Trading assets	169,136	233,795	402,931	299,045	–	299,045
Financial assets mandatorily at fair value through profit or loss	81,135	282,390	363,525	114,367	265,861	380,228
Investment securities at fair value through other comprehensive income	694,299	1,703,862	2,398,161	–	–	–
Equity instruments at fair value through other comprehensive income	–	61,902	61,902	1,446,401	1,757,906	3,204,307
Investment in subsidiaries, associates and joint ventures	–	17,780	17,780	–	48,023	48,023
Loans and advances to customers at amortised cost	8,768,786	18,824,848	27,593,634	–	24,980	24,980
Fair value changes of the hedged items-hedge accounting	–	3,204	3,204	–	1,124	1,124
Investment securities at amortised cost	616,119	4,336,657	4,952,776	460,724	1,872,643	2,333,367
Current tax receivable	365	–	365	–	–	–
Other assets	479,286	16,377	495,663	282,850	20,089	302,939
Deferred tax assets	–	21,175	21,175	–	28,071	28,071
Property, plant and equipment	–	588,570	588,570	–	203,274	203,274
Intangible assets	–	233,512	233,512	–	181,115	181,115
Total	**17,530,762**	**26,325,466**	**43,856,228**	**20,240,054**	**20,554,483**	**40,794,537**
Trading liabilities	15,091	–	15,091	18,322	–	18,322
Derivative liabilities held for risk management	9,619	15,685	25,304	7,478	–	7,478
Deposits from banks	308,670	–	308,670	536,070	–	536,070
Deposits from customers	35,851,685	257,141	36,108,826	32,839,571	211,632	33,051,203
Loans from banks and other financial institutions	341,427	171,535	512,962	379,011	430,887	809,898
Derivatives - hedge accounting	–	3,497	3,497	1,433	–	1,433
Current tax liabilities	7,413	–	7,413	84,677	–	84,677
Other liabilities	627,662	287,059	914,721	575,917	23,499	599,416
Debt securities issued	–	480,617	480,617	512,458	–	512,458
Subordinated liabilities	–	408,645	408,645	5,519	850,159	855,678
Provisions	94,274	145,503	239,777	106,709	26,972	133,681
Total	**37,255,841**	**1,769,682**	**3,9025,523**	**35,067,165**	**1,543,149**	**36,610,314**

BANK

IN RON THOUSAND	WITHIN 12 MONTHS 2019	AFTER 12 MONTHS 2019	TOTAL 2019	WITHIN 12 MONTHS 2018	AFTER 12 MONTHS 2018	TOTAL 2018
Cash and cash with Central Bank	6,506,056	–	6,506,056	7,197,222	–	7,197,222
Loans and advances to banks at amortised cost	201,002	–	201,002	435,126	–	435,126
Derivative assets held for risk management	7,449	1,394	8,843	8,620	–	8,620
Trading assets	169,136	233,795	402,931	298,926	–	298,926
Financial assets mandatorily at fair value through profit or loss	61,235	282,390	343,625	102,647	265,861	368,508
Investment securities at fair value through other comprehensive income	694,299	1,632,072	2,326,371	1,446,401	1,757,906	3,204,307
Equity instruments at fair value through other comprehensive income	–	61,902	61,902	–	48,023	48,023
Investment in subsidiaries, associates and joint ventures	–	97,953	97,953	–	105,349	105,349
Loans and advances to customers at amortised cost	8,364,182	18,597,232	26,961,414	9,661,346	15,728,623	25,389,969
Fair value changes of the hedged items-hedge accounting	–	3,204	3,204	–	1,124	1,124
Investment securities at amortised cost	422,355	4,251,877	4,674,232	451,733	1,856,338	2,308,071
Current tax receivable	–	–	–	–	–	–
Other assets	196,847	259,624	456,471	258,454	20,089	278,543
Deferred tax assets	–	18,334	18,334	–	26,444	26,444
Property, plant and equipment	–	586,246	586,246	–	201,117	201,117
Intangible assets	–	230,140	230,140	–	178,461	178,461
Total	**16,622,561**	**26,256,163**	**42,878,724**	**19,860,475**	**20,189,335**	**40,049,810**
Trading liabilities	15,091	–	15,091	18,322	–	18,322
Derivative liabilities held for risk management	9,619	15,685	25,304	7,478	–	7,478
Deposits from banks	308,670	–	308,670	536,070	–	536,070
Deposits from customers	35,616,578	185,732	35,802,310	32,881,941	211,632	33,093,573
Loans from banks and other financial institutions	9,058	33,211	42,269	63,546	44,728	108,274
Derivatives - hedge accounting	–	3,497	3,497	1,433	–	1,433
Current tax liabilities	5,207	–	5,207	84,048	–	84,048
Other liabilities	542,633	360,964	903,597	570,023	23,499	593,522
Debt securities issued	–	480,617	480,617	516,179	–	516,179
Subordinated liabilities	–	408,645	408,645	5,519	850,159	855,678
Provisions	91,984	96,540	188,524	104,336	26,972	131,308
Total	**36,598,840**	**1,584,891**	**38,183,731**	**34,788,895**	**1,156,990**	**35,945,885**

43. CAPITAL

The capital management of the Group is defined through the capital strategy approved by the Management Board and is reviewed at least once every year.

The primary objective of the Group's capital management is to ensure an adequate level of capital which meets not only the regulatory requirements, but also the limits set in the capital strategy.

The Management Board of the Group actively manages the capital structure and seeks to maintain at all times a higher level of capital than the regulatory one in order to ensure a comfortable position in achieving the Group's business objectives.

No major changes have been made to the objectives and policies regarding capital management compared to the previous year.

Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No.648/2012 requires that the Group maintain a minimum Common Equity Tier 1 capital ratio of 4.5 %, a minimum Tier 1 capital ratio of 6 % and a minimum total capital ratio of 8 %.

According to supervisory review, Group was requested through an official notification to hold additional capital to cover risks which are not or not adequately taken into account under pillar I. The Group is also subject to Conservation and other systemically important institutions buffer. The Group is compliant with all of the above requirements.

	GROUP		BANK	
IN RON THOUSAND	**2019**	**2018**	**2019**	**2018**
Tier 1 Capital, of which:	**3,844,529**	**3,472,661**	**3,767,469**	**3,410,236**
Common Equity Tier 1 (CET 1) Capital	**3,605,930**	**3,472,661**	**3,528,869**	**3,410,236**
Additional Tier 1 Capital	**238,930**	**–**	**238,599**	**–**
Tier 2 Capital	**919,740**	**485,091**	**920,369**	**485,552**
Total capital	**4,764,269**	**3,957,752**	**4,687,837**	**3,895,788**
Risk weighted assets	**24,548,439**	**23,692,198**	**23,275,635**	**22,673,473**
Common Equity Tier 1 Capital ratio	**14.69%**	**14.66%**	**15.16%**	**15.04%**
Tier 1 Capital ratio	**15.66%**	**14.66%**	**16.19%**	**15.04%**
Total Capital ratio	**19.41%**	**16.70%**	**20.14%**	**17.18%**

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 (2018: nil) that were purchased by Raiffeisen Bank International AG. The instruments are classified as equity instruments in accordance to IAS 32 "Financial Instruments: Presentation" and meet the criteria for inclusion in Group Tier 1 capital (see note 38 Other equity instruments).

Also in December 2019 the Bank issued unsecured, subordinated RON-denominated bonds in nominal amount of RON 480,000 thousand that qualify as Tier 2 instruments as defined by Regulation (EU) No. 575/2013 (see note 34 Total long term debt).

44. SEGMENTS CONSOLIDATION

Key decisions are made by chief operating decision makers determining the resources allocated to each segment based on its financial strength and profitability.

The Group follows financial performance and steers the business by segments and products, namely customer business consists of Corporate, Retail, Financial Institutions and Own employees. Corporate comprises legal entities with an annual turnover exceeding EUR 5 million. Retail contains individual clients and legal entities with an annual turnover below the EUR 5 million threshold (small and medium entities), while Financial Institutions (part of Treasury Division) deals with brokers, banks, insurance companies, leasing firms, investment and pension funds, as well as asset management companies.

The Group offers a wide array of banking services to its customers, adapted to the ever changing needs of our clients, but with maintained focus on the basics of banking.

Customer business lines bring in more than 85% of the Group's operating income, with following specifics worth mentioning: corporate clients chiefly draw their revenue streams from lending business, followed by fees from cash management, account services, foreign currency deals and investment banking activity.

Small clients also share these characteristics, while their unique business traits are visible through more intense payment and account activity, thus generating visibly greater proportion of the revenues as fees.

Private individual customers provide a highly diversified revenue source for the Group, mainly from unsecured loans, credit card and overdraft facilities, but also from mortgage loans, saving products and transactional business, FX deals and asset management services, as well as from the activity of intermediating transactions on the stock exchange; the Group continues to focus its attention on promoting alternative channels usage and thus provide improved services with advantages for both sides. Revenues are also brought in from loans and deposits granted to own employees, reported below as part of segment "Others".

Proprietary business consists of Treasury Division (less Financial Institutions) and "Others" segment (less Own employees). The first mainly provides income streams from treasury activities, namely trading revenues, net income from financial assets held at fair value through profit or loss, as well as from interest contribution. The latter shows revenues mainly obtained as a result of transfers among segments, capital benefit, income generated by participations.

Regarding the segmentation by geographical area, the Group is performing its activity mainly under geographical area of Romania.

GROUP

IN RON THOUSAND	CORPORATE CUSTOMERS	PRIVATE INDIVIDUALS	SME	TREASURY DIVISION	OTHERS	TOTAL UNIT
						2019
Total Assets before impairment allowance on loans and advances to customers at amortised cost	10,470,954	15,243,341	2,604,962	12,242,410	4,420,160	44,981,827
Impairment allowance on loans and advances to customers at amortised cost	(248,777)	(738,423)	(124,015)	(54)	(14,163)	(1,125,432)
Total Assets	**10,222,177**	**14,504,918**	**2,480,947**	**12,242,356**	**4,405,997**	**43,856,395**
Total Liabilities	**7,245,869**	**21,498,873**	**6,046,871**	**2,842,730**	**1,391,347**	**39,025,690**
Equity	–	–	–	–	**4,830,705**	**4,830,705**
Net interest income	342,035	953,997	241,204	110,037	112,031	1,759,304
Net commission income	124,582	241,333	202,240	20,586	(4,999)	583,742
Net trading income	51,235	162,598	57,690	60,507	782	332,812
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	467	38,592	473	681	87	40,300
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	4,054	–	4,054
Gains or (-) losses from hedge accounting, net	–	–	–	34	–	34
Other net operating income	–	–	–	–	25,693	25,693
Total Operating income	**518,319**	**1,396,520**	**501,607**	**195,899**	**133,594**	**2,745,939**
Operating expenses	(115,519)	(454,029)	(146,700)	(19,513)	(212,461)	(948,222)
Personnel expenses	(81,237)	(373,020)	(131,022)	(17,445)	(5,297)	(608,021)
Net provisioning for impairment allowance on financial assets	(34,606)	(129,552)	(18,502)	(969)	7,200	(176,429)
Negative goodwill	–	7,204	–	–	–	7,204
Share of gain from associates and joint ventures	–	1,062	–	–	847	1,909
Profit before tax	**286,957**	**448,185**	**205,383**	**157,972**	**(76,117)**	**1,022,380**
Income taxes	–	–	–	–	(187,670)	(187,670)
Profit after tax	**286,957**	**448,185**	**205,383**	**157,972**	**(263,787)**	**834,710**

GROUP

						2018
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	9,770,125	13,685,563	2,531,901	12,640,620	3,170,036	41,798,245
Impairment allowance on loans and advances to customers at amortised cost	(264,735)	(591,838)	(127,385)	(1,156)	(18,594)	(1,003,708)
Total Assets	**9,505,390**	**13,093,725**	**2,404,516**	**12,639,464**	**3,151,442**	**40,794,537**
Total Liabilities	**7,825,650**	**18,835,666**	**5,299,381**	**3,587,444**	**1,062,174**	**36,610,315**
Equity	–	–	–	–	**4,184,225**	**4,184,225**
Net interest income	284,251	841,468	210,248	102,551	94,744	1,533,262
Net commission income	126,965	310,155	187,074	14,780	157	639,131
Net trading income	50,493	140,354	60,513	105,958	725	358,043
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	2,958	36,058	(1,960)	331	1,424	38,811
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	480	–	480
Gains or (-) losses from hedge accounting, net	–	–	–	145	–	145
Other net operating income	–	4,664	–	–	21,865	26,529
Total Operating income	**464,667**	**1,332,699**	**455,875**	**224,245**	**118,915**	**2,596,401**
Operating expenses	(109,650)	(432,979)	(147,301)	(20,461)	(43,725)	(754,116)
Personnel expenses	(84,482)	(359,948)	(134,134)	(14,058)	(7,241)	(599,863)
Net provisioning for impairment allowance on financial assets	(40,969)	(94,016)	(46,538)	(1,029)	6,428	(176,124)
Negative goodwill	–	–	–	–	–	–
Share of gain from associates and joint ventures	–	–	–	–	1,027	1,027
Profit before tax	**229,566**	**445,756**	**127,902**	**188,697**	**75,404**	**1,067,325**
Income taxes	–	–	–	–	(173,536)	(173,536)
Profit after tax	**229,566**	**445,756**	**127,902**	**188,697**	**(98,132)**	**893,789**

BANK

						2019
IN RON THOUSAND	CORPORATE CUSTOMERS	PRIVATE INDIVIDUALS	SME	TREASURY DIVISION	OTHERS	TOTAL UNIT
Total Assets before impairment allowance on loans and advances to customers at amortised cost	10,270,691	15,176,913	2,297,793	11,854,097	4,372,509	43,972,003
Impairment allowance on loans and advances to customers at amortised cost	(235,901)	(738,364)	(103,965)	(54)	(14,995)	(1,093,279)
Total Assets	**10,034,790**	**14,438,549**	**2,193,828**	**11,854,043**	**4,357,514**	**42,878,724**
Total Liabilities	**7,238,664**	**21,175,041**	**6,042,726**	**2,386,024**	**1,341,276**	**38,183,731**
Equity	–	–	–	–	**4,694,993**	**4,694,993**
Net interest income	332,090	954,157	218,647	99,067	115,181	1719,142
Net commission income	121,861	202,789	193,100	20,908	(4,896)	533,762
Net trading income	51,235	162,598	57,690	60,430	774	332,727
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	467	38,592	473	–	87	39,619
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	4,053	–	4,053
Gains or (-) losses from hedge accounting, net	–	–	–	34	–	34
Other net operating income	–	–	–	–	29,709	29,709
Total Operating income	**505,653**	**1,358,136**	**469,910**	**184,492**	**140,855**	**2,659,046**
Operating expenses	(112,840)	(446,848)	(139,305)	(19,238)	(212,173)	(930,404)
Personnel expenses	(77,027)	(363,397)	(119,399)	(17,164)	(4,783)	(581,770)
Net provisioning for impairment allowance on financial assets	(35,804)	(129,579)	(11,889)	(969)	(8,799)	(187,040)
Profit before tax	**279,982**	**418,312**	**199,317**	**147,121**	**(84,900)**	**959,832**
Income taxes	–	–	–	–	(180,377)	(180,377)
Profit after tax	**279,982**	**418,312**	**199,317**	**147,121**	**(265,277)**	**779,455**

BANK

IN RON THOUSAND	CORPORATE CUSTOMERS	PRIVATE INDIVIDUALS	SME	TREASURY DIVISION	OTHERS	2018 TOTAL UNIT
Total Assets before impairment allowance on loans and advances to customers at amortised cost	9,485,189	13,665,057	2,148,575	12,561,976	3,161,515	41,022,312
Impairment allowance on loans and advances to customers at amortised cost	(246,503)	(591,719)	(112,469)	(1,156)	(20,655)	(972,502)
Total Assets	**9,238,686**	**13,073,338**	**2,036,106**	**12,560,820**	**3,140,860**	**40,049,810**
Total Liabilities	**7,821,353**	**18,835,450**	**5,294,490**	**2,932,217**	**1,062,375**	**35,945,885**
Equity	–	–	–	–	**4,103,925**	**4,103,925**
Net interest income	269,214	840,223	185,770	111,632	93,134	1,499,973
Net commission income	124,484	295,676	180,908	15,266	157	616,491
Net trading income	50,493	140,354	60,513	105,905	723	357,988
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	2,958	36,058	(1,960)	–	1,425	38,481
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	480	–	480
Gains or (-) losses from hedge accounting, net	–	–	–	145	–	145
Other net operating income	–	4,664	–	–	27,209	31,873
Total Operating income	**447,149**	**1,316,975**	**425,231**	**233,428**	**122,648**	**2,545,431**
Operating expenses	(107,620)	(428,946)	(142,034)	(20,461)	(43,593)	(742,654)
Personnel expenses	(80,079)	(353,077)	(122,717)	(14,058)	(7,241)	(577,172)
Net provisioning for impairment allowance on financial assets	(65,126)	(91,120)	(23,698)	(1,029)	6,427	(174,546)
Profit before tax	**194,324**	**443,832**	**136,782**	**197,880**	**78,241**	**1,051,059**
Income taxes	–	–	–	–	(169,972)	(169,972)
Profit after tax	**194,324**	**443,832**	**136,782**	**197,880**	**(91,731)**	**881,087**

45. SUBSEQUENT EVENTS

(i) Coronavirus outbreak

The coronavirus outbreak occurred at a time close to the reporting date and the condition continued to evolve throughout the time line crossing 31 December 2019 to the financial statements approval date. In late 2019, a cluster of cases displaying the symptoms of a "pneumonia of unknown cause" were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak of a "Public Health Emergency of International Concern". Since then, more cases have been diagnosed, also in other countries. Gradually, more information became available.

Management assessment is that the measures taken by the authorities in 2020 represent a non-adjusting event and should not be reflected in the valuation of assets and liabilities of the Group as at 31 December 2019. Being in the early stages of the outbreak, the high level of uncertainties due to the unpredictable outcome of this disease makes it difficult to estimate the financial effects of the outbreak.

The high level of uncertainty caused by the coronavirus outbreak will lead to a highly volatile market environment in the following months.

The Group monitors the current and potential impacts of Covid-19, to the extent possible based on both a qualitative and quantitative assessment, on its business activities, financial situation and economic performance, with a focus on actions to mitigate credit, liquidity and operational risk.

Some of the consequences might be:

- Worsening of macroeconomic factors, this having a potential impact on income and financial assets quality, most affected industries being tourism, transportation and others. In this respect the bank is currently reviewing its credit portfolio in order to holistically identify the most exposed counterparts through an industry level approach to be followed by in depth analysis at customers/group of customers level once the level and forms of available state support for real economy will be available;
- Need to implement Grace periods on loans granted to customers and/or the legal measures/support schemes adopted by the authorities (local and/or European);
- Different structure of new lending following the adjustment of lending policies to the current situation.

From liquidity and operational point of view, the Bank and the Group implemented measures to reduce the impact of COVID-19 on its business activities and ensure their continuity.

(ii) Aedificium Banca pentru Locuințe - capital increase and subordinated loan granted

Following the legal provisions made by Aedificium Banca pentru Locuinte (ABL) in respect of its litigation with the Romanian Court of Auditors (further detailed in Note 36 Provisions), the result was that ABL was in breach of internal capital adequacy internal limit. On 13 March 2020, the Extraordinary General Shareholders Meeting of the ABL approved the increase of share capital by RON 15 million together with contracting a subordinated loan in amount of RON 12 million from Raiffeisen Bank S.A.. The additional capital would allow ABL to continue its operations, considering the current estimate of the litigation.

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

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IN FOCUS IN 2019

CLOSE TO CUSTOMERS, IN BRANCHES OR ONLINE

We are part of a large family: Raiffeisen Bank International Group has approximately 47,000 employees, over 2,000 business units, is present in 27 countries worldwide and serves over 16.7 million customers. The entities of the Raiffeisen Group in Romania consolidated in 2019 their positions and the way they collaborate with each other, so that they can be **reliable partners** for all clients – individuals, SMEs and corporations –, both in the branches that are part of the national network and online.

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Ploiești, Prahova County
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Fax: 0244.526.129

Retail Region SOUTH EAST
Brăila Agency
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Fax: 0239.611.062

Retail Hub 5
Tulcea Agency
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Tulcea, Tulcea County
Phone: 0240.703.500
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Fax: 0240.512.972

Retail Hub 6
Constanța Agency
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Constanța, Constanța County
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Fax: 0241.610.697

Retail Hub 7
Ialomița Agency
Blvd. Chimiei 13
Slobozia, Ialomița County
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Fax: 0243.230.877

Retail Region SOUTH
Vâlcea Agency
Știrbei Vodă 2, bl. T1
Râmnicu Vâlcea, Vâlcea County
Phone: 0250.703.500
0250.703.530
Fax: 0250.702.324

Retail Hub 8
Târgoviște Agency
Blvd. Mircea cel Bătrân 8,
zone A, et. 1
Târgoviște, Dâmbovița County
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0245.703.521
Fax: 0245.606.160

Retail Hub 9
Olt Agency
Basarabilor 2
Slatina, Olt County
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0249.703.525
Fax: 0249.414.214

Retail Hub 10
Dolj Agency
Sfântu Dumitru 8
Craiova, Dolj County
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Fax: 0251.533.333

Retail Region WEST
Operational Center Banat Crișana
Bd. Take Ionescu 46B, Floor 7,
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Fax: 0256.275.073

Retail Hub 11
Arad Agency
Andrei Șaguna 1-3
Arad, Arad County
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0257.703.533
Fax: 0257.211.860

Retail Hub 12
Tisa Agency
Blvd Take Ionescu 46B, Building A,
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Phone: 0256.703.881 – 883
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Retail Hub 13
Reșița Agency
Piața 1 December 1918 No. 4
Reșița, Caraș Severin County
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0255.703.523
Fax: 0255.212.278

Retail Region NORTH WEST
Cluj Agency
Aviator Bădescu 1
Cluj, Cluj County
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Fax: 0264.595.413

Retail Hub 14
Satu Mare Agency
Piața Libertății 11
Satu Mare, Satu Mare County
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0261.703.516
Fax: 0261.714.591

Retail Hub 15
Bihor Agency
Nufărului 30
Oradea, Bihor County
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0259.703.536
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0259.406.810

Retail Hub 16
Cluj Agency
Aviator Bădescu 1
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Fax: 0264.595.413

Retail Region CENTER
Brașov Agency
Hărmanului 24, Zone A and Zone B, Zone C
Brașov, Brașov County
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0268.703.554
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0268.547.791
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Retail Hub 17
Sibiu Agency
Piața Aurel Vlaicu 9
Sibiu, Sibiu County
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0269.703.533
Fax: 0269.213.297

Retail Hub 18
Tg. Mureș Agency
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Târgu Mureș, Mureș County
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Brașov Agency
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Brașov, Brașov County
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Fax: 021.310.86.63

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021.370.20.09
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Retail Hub 22
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Brătianu Agency
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Retail Hub 23
Piața Presei Libere Agency
Piața Presei Libere 3-5, City Gate Building, North Tower
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Retail Hub 25
Vitan Agency
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We thank all our colleagues who contributed to this Annual Report and Publicator Media.