Raiffeisen Bank

Annual report
2023

Consolidated financial statements

	2023* EUR '000	2022* EUR '000	Change (%)
Profit and Loss			
Net interest income	570,898	486,735	17%
Net commission income	121,883	113,367	8%
Trading profit	76,408	66,753	14%
Administrative expenses	(369,839)	(338,186)	9%
Profit/(loss) before tax	421,825	301,475	40%
Profit/(loss) after tax, before the net income obtained from the sale of interrupted activity	344,200	254,734	35%
Net profit for the year	344,200	254,734	35%
Number of ordinary shares	12,000	12,000	0%
Earnings per share (in EUR/share)	28,683	21,228	35%
Balance Sheet			
Loans and advances to banks (including placements with banks)	97,879	65,397	50%
Loans and advances to customers	8,480,765	8,092,337	5%
Deposits from banks	99,957	116,850	(14%)
Loans from banks	98,671	78,887	25%
Deposits from customers	10,986,840	9,951,402	10%
Equity (including minorities and profit)	1,540,610	1,304,518	18%
Balance sheet total	14,294,512	12,651,040	13%
Regulatory Information			
Risk-weighted assets, including market risk	6,786,001	6,274,044	8%
Total own funds	1,431,355	1,313,549	9%
Total own funds requirement	542,880	501,923	8%
Excess cover ratio	164%	162%	2 pp
Core capital ratio (Tier 1), including market risk	17%	16%	0,5 pp
Own funds ratio	21%	21%	0,2 pp
Performance			
Return on equity (ROE) before tax	32%	27%	4,9 pp
Return on equity (ROE) after tax	26%	23%	3,3 pp
Cost/income ratio	44%	47%	(2,4 pp)
Return on assets (ROA) before tax	3%	2%	0,8 pp
Risk/earnings ratio	(1%)	6%	(7,2 pp)
Resources			
Number of employees	4,967	5,034	(1%)
Business outlets	284	291	(2%)

*Unofficial conversion, unaudited

Summary

Foreword and presentation of the Group

PARTNERS 1:1

We are here to offer financial planning and sustainable lending to the Bank's more than 2.2 million customers (private individuals, SMEs, and corporations) – because we are the ones who decide, each of us and all together, how tomorrow will look like.

"We conclude the first year of Banking 1:1 with outstanding results that reinforce our status as the financial institution of the future. We have continued to grow in two dimensions, both in the scope of our banking services and in our ability to offer the best financial planning. The performance of 2023 is due to the fresh perspective we bring to the banking industry, but above all to our teams who engage in 1:1 dialogue with our clients."

Zdenek Romanek, President and CEO, Raiffeisen Bank Romania

2023, the year of financial planning and sustainable lending

I am proud of our achievements in 2023, the year that marked the successful launch of a new perspective in the Romanian banking system through the "Banking 1:1" concept, with remarkable results that strengthen our status as a financial institution of the future.

The results of 2023 are supported both by the progress we are making within the financial planning area and the increasingly accelerated digitization of our banking services, as well as by the continuation of lending to the real economy.

Raiffeisen Bank Romania registered a 130% increase in investment plans, optional pensions and life insurance with a savings component, and the majority of Romanians who joined an optional pension fund chose the Raiffeisen Accumulation Pension Fund, according to official data from December 2023 and data provided by S.A.I. Raiffeisen Asset Management S.A.

Most important to us as an organization is to provide our clients with the best financial expertise and leading digital solutions. This is the essence of "Banking 1:1", a personal and interactive way to build a financial plan, together with our customers, through Raiffeisen Bank's innovation: Smart Finance. We rely on our representatives, on their financial expertise supported by innovative digital tools such as Smart Finance, a solution developed in record time by the team in Romania.

We continued the financing of the real economy, in a challenging economic context dominated by high inflation and a greater need for working capital for companies in Romania. Our corporate loan balance grew by 8% year-on-year and our ESG assets grew by 75%, reaching a sustainable portfolio coverage level of around 20%.

Solid and reliable finance structures on all types of products allowed us to propose the best corporate solutions, considering the profile of our partners and customers. This approach, combined with our mature industry expertise, determined a balanced growth of the portfolio on all products, ensuring the stability of future growth.

At the same time, 2023 is the year in which we received record guarantees from the European Investment Fund, which allows us to support the financing of Romanian SMEs with over 650 million euros in the coming years.

Throughout 2023, we continued to improve the functionality of the mobile banking app, and the trust that our customers place in us is expressed into a constant increase in their number. Improvements to the digital enrollment flow during 2023 attracted more than 4 times more new customers who completed the end-to-end enrollment flow exclusively in the mobile banking app compared to the previous year. Our loyalty app, Smart Market, was named "Best Customer Loyalty Program" at the Global Retail Banking Innovation Award 2023, held in Singapore.

We celebrated together in 2023 the reaffirmation of Raiffeisen Bank's senior unsecured debt and deposit ratings at Baa1, with a stable outlook, two levels above Romania's sovereign rating. Moody's also upgraded the senior non-preferred debt rating by one notch from Baa3 to Baa2, reflecting a solid financial position and demonstrated access to funding through international capital markets.

The performances of 2023 also brought us a series of recognitions on the international stages of the banking world, among which I mention the title of "Best Bank in Romania", awarded by Global Finance. Euromoney Global Private Banking designated Raiffeisen Bank as the best bank in Romania for Private Banking services, and EMEA Finance declared Raiffeisen Bank the best bank in Romania and the best investment bank at the Europe Banking Awards 2023. Also, within the same competition we enjoyed another valuable recognition – Green Finance Award.

For all these remarkable achievements I am grateful to you all. On behalf of the entire management team, I thank our colleagues, suppliers, partners and customers. Together we achieve remarkable results when we focus on all that unites us.

Zdenek Romanek
President and CEO Raiffeisen Bank

The management of Raiffeisen Bank

Members of the Supervisory Board as of 2024, March 31st

Johann Strobl – Chairman
Hannes Mösenbacher – Vice-president
Andreas Gschwenter – Member
Andrii Stepanenko – Member
Lukasz Janusz Januszewski – Member
Pedro Miguel Weiss – Independent member
Claudia Patricia Pendred – Independent member
Mihaela-Cristina Mitroi – Independent member

Members of the Management Board as of 2024, March 31st

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

Raiffeisen Bank structure as of 2024, March 31st

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

Corporate governance

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

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

The General Meeting of Shareholders (GMS)

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

The Ordinary General Meeting of Shareholders' main competences:

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

The Extraordinary General Meeting of Shareholders' main competences:

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

The following competencies have been delegated to the Management Board:

- Change the Bank's HQ;
- Modify the Bank's object of activity, except for the change of the main field of activity and of the main object of activity;
- Increase of the share capital of the Bank, except when the increase of the share capital is made through an increase of the nominal value of the shares (if such is not performed by incorporation of reserves, benefits and issuance premiums) when the resolution approving the increase of the share capital shall be taken by the EGMS with unanimity of votes;
- The establishment or the closing down of certain ancillary headquarters, such as agencies and other similar units with no legal personality.

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

Administration structure

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

The Supervisory Board (SB)

The Supervisory Board exercises an ongoing control over the Bank's current management activity conducted by the Management Board. The Supervisory Board consists of 9 members appointed by the General Meeting of Shareholders within four-year mandates, being possible to be re-elected for additional mandates.
As of 31.03.2024, the Supervisory Board structure and the professional background of its members were as follows:
Johann Strobl – Chairman
Ph.D. in Economics at the University of Economics and Business Administration, Vienna, Austria
Hannes Mösenbacher – Vice-president
Ph.D. in Economics at the University of Economics and Business Administration, Vienna, Austria
Andreas Gschwenter – Member
MBA at the University of Innsbruck, Austria
Mihaela Cristina Mitroi – Independent member
Holding a Bachelor's degree from the Faculty of Cybernetics, Academy of Economic Studies (Bucharest), and a Ph.D. in Economics from the Academy of Economic Studies, Bucharest
Andrii Stepanenko – Member
Ph.D. in Finance, Kiev National University of Economics, Ukraine
Lukasz Janusz Januszewski – Member
Master Degree of Economics, University of Warsaw, Poland
Pedro Miguel Weiss – Independent member
MBA in Finance and Accounting, Fuqua School of Business, Duke University, North Carolina, U.S.A., and graduate of Young Managers Program from INSEAD, Fontainebleau, France
Claudia Patricia Pendred – Independent member, Graduate of the MBA program of INSEAD, France
1 vacant position

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 2023, 4 Supervisory Board meetings took place and their decisions were made by the unanimous votes of the attending members. Also, a number of 43 decisions were made by circulation.

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

The 4 committees set up by the Supervisory Board

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

As of 31.03.2024, the Audit Committee is made up of 3 Supervisory Board members, namely:
Mihaela Cristina Mitroi – Chairwoman
(Independent member of the Supervisory Board)
Hannes Mösenbacher – Member
(Vice-president of the Supervisory Board)
Pedro Miguel Weiss – Member
(Independent member of the Supervisory Board)

During 2023, 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 Management Board, respectively) as a whole. The responsibilities, the organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank S.A.

As of 31.03.2024, the Nomination Committee is made up of 3 Supervisory Board members, namely:
Claudia Patricia Pendred – Chairwoman
(Independent member of the Supervisory Board)
Johann Strobl – Member
(Chairman of the Supervisory Board)
Pedro Miguel Weiss – Member
(Independent member of the Supervisory Board)

During 2023, the Nomination Committee held 2 meetings, their decisions being made by the unanimous votes of the attending members.

The Remuneration Committee (CREM)
The Remuneration Committee is responsible for preparing the decisions on remuneration, including those which have implications for the risk and risk management of the credit institution concerned and which are to be taken by the Supervisory Board. Also, CREM is responsible for issuing the decisions on the remuneration of the Management Board and Supervisory Board members, in accordance with the GMS decision. When preparing such decisions, CREM shall take into account the long-term interests of shareholders, investors and other stakeholders in the Bank. The responsibilities, organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank S.A.

As of 31.03.2024, the Remuneration Committee is made up of 3 Supervisory Board members, namely:
Mihaela Cristina Mitroi - Chairwoman
(Independent member of the Supervisory Board)
Claudia Patricia Pendred – Member
(Independent member of the Supervisory Board)
Johann Strobl – Member
(Chairman of the Supervisory Board)

During 2023, the Remuneration Committee held one meeting, its decisions being made by the unanimous votes of the attending members.

The Supervisory Board Risk Committee
The Supervisory Board Risk Committee advises the Supervisory Board and the Management Board on the Bank's risk appetite and strategy and assists the Supervisory Board and the Management Board in overseeing the implementation of that strategy. The responsibilities, organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank S.A.

As of 31.03.2024, the Supervisory Board Risk Committee is made up of 3 Supervisory Board members, namely:
Pedro Miguel Weiss – Chairman
(Independent member of the Supervisory Board)
Claudia Patricia Pendred – Member
(Independent member of the Supervisory Board)
Hannes Mösenbacher – Member
(Vice-president of the Supervisory Board)

During 2023, the Supervisory Board Risk Committee held 4 meetings, its decisions being made by the unanimous votes of the attending members. Also, there was one decision made by circulation.

The Management Board (MB)

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

As at 31.03.2024, the Management Board structure and the professional background of its members were:
Zdenek Romanek – President, Coordinator of President Division (CEO)
MBA Program, INSEAD (Fontainbleau, France), Master of Economics: Insurance Engineering/Actuary and Banking, University of Economics, (Prague, Czech Republic) and Master of Science: Operation Research and Computer Science, Faculty of Mathematics and Physics, Charles University (Prague, Czech Republic)
Vladimir Nikolov Kalinov – Vice-president, Coordinator of Retail Division
Graduate of the Marketing and Management Institute, New Delhi, and of the Faculty of Commerce, University of New Delhi, India
Cristian Marius Sporiș – Vice-president, Coordinator of Corporate Division
Graduate of the Faculty of Finances, Insurance, Banks and Stock Exchanges, Bucharest University of Economic Studies, Romania
Iancu Mircea Busuioceanu – Vice-president, Coordinator of Risk Division (CRO)
Graduate of the Executive MBA Program, University of Sheffield, and the Faculty of Finances, Banks and Accounting, Bucharest University of Economic Studies, Romania
Nicolae Bogdan Popa – Vice-president, Coordinator of Operations & IT Division (COO)
MBA in Financial-Banking Management, "Alexandru Ioan Cuza" University of Iași, Romania
Alina Rus – Vice-president, Coordinator of Financial Controlling & Accounting Division (CFO)
CFA, Master of Financial Management & Capital Markets, Academy of Economic Studies and Bachelor of Finance, Banking, Insurance & Stock Exchange, Academy of Economic Studies (Bucharest)
Mihail Cătălin Ion – Vice-president, Coordinator of Markets, Investment Banking & Personal Financial Planning Division
Ph.D. in Economics at the Academy of Economic Studies, Bucharest and graduate of the Faculty of Finances, Insurance, Banks and Stock Exchanges, Finance and Banks specialization, Academy of Economic Studies, Bucharest.

The duties of the Management Board:

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

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

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

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

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

The main competences of the Management Board:

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

The Management Board set up a number of 13 committees, namely: Asset and Liabilities Committee, Risk Committee, Credit Committee, Problem Loan Committee, Private Individuals Credit Committee, Rules and Procedures Committee, Security Council, Cost Management Committee, Projects & Investments Committee, Investment Committee, Product Governance Committee, Know Your Customer (KYC) Committee and Artificial Intelligence Council (AI Council) to which it delegated a series of competences, mentioned in the statutes of the respective committees.

During 2023, the Management Board held 53 meetings, and its decisions were made by the unanimous votes of the attending members. Also, 22 decisions were made by circulation.

The 12 committees set up by the Management Board:

Asset and Liabilities Committee (ALCO)
ALCO is responsible for managing the Bank's balance sheet aiming at achieving sustained growth, profitability and solvency. The main goal is to manage assets and allocate funding sources by aligning growth and profitability targets as well as funding mix and capital constraints in order to meet return and risk objectives.

From within the Risk Framework, the ALCO:

- Sets the strategies for the management funding, liquidity, interest rate risk and market risk as well as capital planning;
- Establishes guidelines to meet various applicable regulatory rules and statutes;
- Forms a consistent co-policy with other policies of the Bank therefore aligning the management of various risks facing the Bank;
- Approves the pricing strategy (interest rates, commissions and fees).

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

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

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

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

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

The Security Council
The Security Council of Raiffeisen Bank is the top decision forum regarding security within Raiffeisen Bank Romania. The Security Council proposes to the Directorate the security strategy, decides security policies and should express the commitment of top management regarding the active support for security within the organization. The Security Council is also representing an interdisciplinary forum regarding security where possible interdisciplinary issues are solved. The Security Council role is to increase the visibility of security function within organization and should make the top management aware of security current status and security current risks.

Cost Management Committee
The Cost Management Committee (the Committee) is a body defined for the monitoring and approval of the Bank's operational costs, cost saving initiatives, budget overruns at Bank level. The Committee will approve or take note of topics related to the operational expenses of the Bank.
The Committee has decision competence on costs initiatives of the Bank.
Responsibilities of the committee are cost monitoring & control.

Projects & Investments Committee
The Projects & Investments Committee 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. The Committee also decides on wallets structures per divisions for IT change initiatives, including small initiatives (short flows). In special cases, the Committee also conducts individual Project reviews.

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

The Investment Committee approves:

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

The Product Governance Committee
The Product Governance Committee manages the Bank’s “Product Governance Process” for financial instruments offered to specific target markets regardless if they are distributed for execution only, advisory free or advisory, according to the REG-2015-0075 Product Governance Process (PGP) V2.0 and corresponding Annexes.

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

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

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

Know Your Customer (KYC) Committee
The KYC Committee (the Committee) approves the initiation/continuation of business relationships with clients (from all segments) with a high risk of money laundering and terrorist financing who have previously received positive opinions with conditions from the Compliance Directorate or the extension of the deadline for updating the Bank's customer data (from all segments), in case of escalation (approval competence delegated from the Management Board).
The Committee is structured by categories of customers – retail and non-retail – and by 2 levels of approval:
KYC Retail Level 1 Committee;
KYC Non-Retail Level 1 Committee;
KYC Level 2 Committee.

Conflicts of interest

On RBRO level, there are in place dedicated Conflict of Interest policies for both RBRO's staff and Management bodies (Management and Supervisory Board). The management bodies are responsible for the establishment, approval and oversight of effective implementation of conflict of interest (COI) policies.

RBRO is monitoring COIs in order to prevent any conduct that could negatively impact the RBRO's clients and partners. The internal COI policies are intended to effectively identify, assess, manage and mitigate or prevent actual and potential conflicts of interest, including those related to financial services performed by the Bank as well as regarding the private, personal interests of the members of the management bodies, which could negatively influence the fulfilment of their duties and responsibilities.

The internal policies impose staff and management bodies to report immediately any situation that could result in a conflict of interest. This could be stemming from close relationships, supplementary jobs, events participations, gifts, invitations and trades with financial instruments, etc. Conflict of interests could as well arise in relation to corruption, fraud and market abuse.

Where conflicts of interest arise, RBRO assesses their materiality and takes appropriate mitigation measures.

With respect to policies applied to management bodies or members of management bodies intending to accept positions as: members of the Supervisory Board, Executive Board or director/administrator positions in entities outside the RBI group are required to seek prior approval of RBRO's Supervisory Board. The preliminary approval granted by the RBRO's Supervisory Board is also required in cases where members of the management bodies intend to engage in other activities on their own, on behalf of a third party or associate with other companies as a partner/manager.

The appointment to the aforementioned positions is made with prior approval from the Compliance Directorate.

The Compliance Directorate acts as the responsible function of assessing potential conflicts of interests related to members of the management bodies. The Supervisory Board of RBRO acts as the final decision-maker and is in charge of accepting the inherent risks resulting from the implementation of proposed mitigation measures (and/or residual occurring from the respective conflict of 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 (i.e.: the process of Assessing Performance, risk committees).
4. Compensation is based on a functional structure and it is linked to performance. Besides, special rules are applied to the personnel whose professional activity has a material impact on the risk profile.
5. Compensation is competitive, sustainable and reasonable and it is defined in accordance with the relative value of work, market and practice.
6. The fixed compensation is defined in principle in accordance with the market conditions.
7. The compensation structure (the variable payment proportion relative to the fixed compensation) is balanced, which allows each employee to have an adequate level of remuneration based on the fixed salary.
8. All variable payment programs include minimum levels of performance and a maximum payment threshold.

9. Individual performance is the product of results obtained and of the competences based on both quantitative and qualitative measures, valued within the process of performance assessment and considering financial and non-financial criteria.
10. The personnel employed in controlling functions is compensated independently from the business unit they supervise, has the appropriate authority and their remuneration is determined on the basis of achieving their own objectives without taking into consideration the results of the area they monitor. The fixed and variable remuneration structure should be in favor of the fixed remuneration.
11. If an employee is paid a variable compensation, this is done for the measured performance. Performance is translated into results and behavior: "what" and "how", according to the system of performance management. Therefore, all the variable compensation schemes are linked to the management of performance or a comparative system of setting the targets.

Measuring the performance for the employees holding control functions (e.g., risk, audit, compliance) reflects the specific requirements of the respective positions. Compensating the employees holding control functions is in accordance with the achievement of the objectives related to the respective functions and, in an independent manner, by the business areas they supervise, but in proportion with their role in the Bank.

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

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

Since both the EBA guideline and the BNR Regulation no. 5/2013 contain mentions regarding the importance of diversity at the level of senior management, in addition to the standard set of compatibility criteria as regulated by the fit and proper policy, we are aware that differences in gender, age, culture, education and experience of members of senior management provide a variety of opinions and experience to facilitate independent insights and sound decisions, adding more value to our organization.

The approach of diversity is not limited to the senior management level, but it is taken over throughout the organization. Diversity management enhances opportunities for each employee to increase his/her own potential and personal contribution to performance. In support of this reality, in 2023 we addressed the organizational diversity level, as well the expectations regarding measures dedicated to increase inclusion, through a dedicated survey organized with the Romanian Diversity Chart, member of the European Diversity Platform, to reflect the valuable information extracted in the diversity management policy and strategy. The high response rate confirmed the importance of addressing the existing diversity in the organization.

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 2023 and is published on the Bank's website at:
www.raiffeisen.ro/despre-noi/guvernanta-corporativa/transparenta-si-publicare

Report of the Supervisory Board

"I am pleased to see that despite the uncertain economic environment, persistent inflation and rising interest rates, our foundations remained solid: strong capitalization reflected by a total capital adequacy ratio above 21%, non-performing loans below the market average, a loan/deposit ratio of 78%, cost/income ratio of 44%, and a very good return on equity. All in all, we managed to achieve our strategic objectives and bring a positive contribution to the sustainable development of the Romanian economy."

Johann Strobl
Chairman of the Supervisory Board

Ladies and Gentlemen,

Raiffeisen Bank had a solid financial performance in 2023, with notable business achievements. The top priorities for us during this year remained the real economy funding by supporting local businesses, sustainable development and the consolidation of a long-term partnership with our customers. We launched a new perspective in the Romanian banking system, Banking 1:1, by offering our clients the opportunity to access a diverse range of personalized products and services, along with the possibility to talk directly and easily with our experts.

Digitalization remains a core pillar of our strategy. We are actively involved in strengthening the digital infrastructure and streamlining the processes in order to provide fast and accessible solutions to our customers, by using the newest technologies. The number of customers actively using the Bank's digital channels increased by approximately 9% in 2023, exceeding 1.4 million or 62% of the total customer base.

I am pleased to see that despite the uncertain economic environment, persistent inflation and rising interest rates, our foundations remained solid: strong capitalization reflected by a total capital adequacy ratio above 21%, non-performing loans below the market average, a loan/deposit ratio of 78%, cost/income ratio of 44%, and a very good return on equity. All in all, we managed to achieve our strategic objectives and bring a positive contribution to the sustainable development of the Romanian economy.

The net loans stock shows a 5% advance year on year, especially from legal entities. Corporate loans increased by 8% year on year, in a context of an active involvement of the Bank in financing both sustainable projects and social projects, thus supporting the development of our clients' businesses and the Romanian economy at the same time. SME loan book shows also an upward trend (plus 7% year on year). SME clients benefited from a wide range of standard products dedicated to investments in local businesses development and working capital needs, having also the possibility to access Governmental programs such as IMM Invest. On the other hand, loans granted to private individuals decreased by 2% year on year, in a context of a rising interest rates environment which led to a moderate demand for new loans, especially mortgages.

Customer liabilities consolidated by 10% year on year, with solid results in all business segments, driven by higher balances of term deposits. During 2023, we have gradually increased the interest rates offered to customers for saving products, in both local and foreign currency, so that the negative effects of inflation to be partially mitigated.

Another remarkable achievement relates to October 2023, when we successfully issued on the international market, for the first time in the Romanian banking sector, MREL eligible eurobonds worth EUR 300 million. At the end of 2023, our portfolio consists of 7 bonds issued in a green and sustainable format, with a total volume of approximately EUR 1 billion. Hence, we establish clear premises for the diversification and growth of the loan portfolio towards projects and initiatives dedicated to a sustainable development, which will contribute to strengthening the resilience and stability of the economy in the long term.

During the 2023 financial year, the members of the Supervisory Board held 4 ordinary meetings and made 43 decisions by circulation. The overall attendance rate for Supervisory Board meetings was 100 per cent.

The Supervisory Board regularly and comprehensively monitored the business performance and risk developments at Raiffeisen Bank Romania. 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 th course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives from supervisory authorities on topical issues.

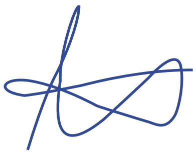
Moreover, the Management Board provided the Supervisory Board with regular and detailed reports on relevant matters concerning performance in the respective business areas. Between meetings, the Supervisory Board maintained close contact with the Chairman and members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Supervisory Board, where applicable with the involvement of experts on matters being addressed.
The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration. Discussions were open and critical, and the Supervisory Board passed resolutions after fully considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Supervisory Board without delay and to their satisfaction.

The Supervisory Board was regularly informed regarding the activities carried out in 2023 by its sub-committees. It agreed with the Management Board's report on Raiffeisen Bank's audited financial statements for the 2023 financial year, drawn up in compliance with International Financial Reporting Standards.

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

On behalf of the Supervisory Board,

Johann Strobl
Chairman of the Supervisory Board



Raiffeisen Bank International at a glance

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

Click on the titles below to open the 2023 RBI reports:

2023 Annual Report

2023 Sustainability Report

THE YEAR 2023 IN NUMBERS*

18.6 milion customers

+1,500 business outlets

45,000 employees

* as per 31 December 2023

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

In total, around 45,000 RBI employees serve 18.6 million customers from more than 1,500 business outlets, the vast majority of which are in CEE.

The regional Raiffeisen banks hold approximately 61.17 per cent of RBI shares. The remaining shares are hold in free float.

Highlights

BANKING 1:1

The year 2023 was governed by our new approach regarding customer interactions. Banking 1:1 stands for personalized, transparent, relevant advice delivered directly to customers through the Smart Finance tablet.

Events calendar

From promoting an innovative Banking 1:1 model to large-scale initiatives that support the real economy, from investing in financial education to financing young entrepreneurs and partnerships with personalities from all fields that inspire us all, Raiffeisen Bank has demonstrated again in 2023 that it stands by its customers and is involved in the development of Romanian society at all levels.

FEBRUARY

The Money Chat Podcast returned from February 1st with a new season of financial education
Raiffeisen Bank launched the new Money Chat Podcast season on February 1st, available on all audio streaming platforms. The podcast, awarded in 2021 with bronze in the Best Brand Podcast category in Webstock, is the Bank's response to the constant need for financial education. In the ten episodes of the second season, each guest discussed financial issues with the radio personality Andreea Remețan. The topics covered various talking points, from how to live your life without cash in your pocket to the safety of online payments or how to increase your income. All the Money Chat Podcast guests are part of Raiffeisen Bank's team of professionals and each of them shared valuable tips for better financial health.

MARCH **The Raiffeisen Group financed the construction of a photovoltaic power plant in Satu Mare**

Raiffeisen Bank International and Raiffeisen Bank Romania granted a loan worth 40.5 million euros to a company from the Shikun and Binui Energy group in Israel for the construction of a photovoltaic power plant, with a total installed capacity of approximately 70 MW, in the north-west part of the country. At the end of 2022, Shikun and Binui Energy signed a contract with an European EPC contractor for the turnkey construction of the photovoltaic park, including design, civil, mechanical and electrical engineering, equipment procurement and construction. The electricity produced will be sold on the centralized electricity market in Romania or through PPA contracts to traders and/or electricity suppliers to be supplied to final consumers.

Raiffeisen Bank launched "Banking 1:1"

2023 marked the successful launch of a new perspective for the Romanian banking system through "Banking 1:1" concept, a personal and interactive way to build a financial plan, together with customers, through Raiffeisen Bank's innovation: Smart Finance. Developed by the local team, the application provides support to Raiffeisen Bank experts who have mobile tablets at their disposal, through which they can create a personalized financial plan. Following a dialogue with the customer, the Bank's expert can offer customized solutions. Information about the client's plans, needs and wishes discussed 1:1 with our representative is fed into the interactive Smart Finance application, which generates a personalized financial plan.

Raiffeisen Bank issued on March 31st a new tranche of sustainable bonds

Raiffeisen Bank S.A. issued eligible non-preferred senior bonds due on December 7, 2027, under the second tranche of series no. 6, issued on December 7, 2022, with a total value of RON 119,175,000, as part of the reopening of the last series of sustainable bonds. The bond issue was addressed to institutional investors and was subscribed at a yield of 8.295% per annum, i.e. 1.2 percentage points above the yield of government securities in reference lei with the same maturity. Thus, the Series 6 bond issue reached a total amount of RON 488.25 million and the cumulative volume of MREL eligible notes issued to date exceeded RON 3.4 billion. The bonds were to be included in the Bank's own funds and eligible liabilities, after the approval of the National Bank of Romania, and listed on both the Luxembourg Stock Exchange (LuxSE) and the Bucharest Stock Exchange (BVB).

APRIL **The Raiffeisen Smart Market app calculates the carbon footprint**

The loyalty and reward app Raiffeisen Smart Market diversified its services by adding the carbon footprint calculation solution, unique on the market. Raiffeisen Bank is the first bank in Romania to launch a solution for calculating the carbon footprint of customer transactions, through the Smart Market application. The technical solution used is internationally certified by the auditing and financial consulting company Deloitte. Each user's carbon emissions are calculated based on the transactions made by card or through their Raiffeisen account and displayed in their Smart Market Profile, to help them know and reduce their impact on the environment.

Raiffeisen Bank teams up with David Popovici

Raiffeisen Bank announced the signing of a 4-year partnership to support the Romanian athlete David Popovici. The partnership is based on shared common values, alongside with sustained work to achieve the best results, the ambition to overcome challenges and the promotion of Romanian performance. David Popovici is a Romanian swimmer, world and European champion. In 2022 he became the youngest men's 200 m freestyle world champion and one of the youngest men's world champions in swimming history.

"For over 25 years, Raiffeisen Bank has been an important player in the national economy, a solid bank, with results that honor us. We were able to achieve these results thanks to our approach of making long-term, sustainable investments. For the Raiffeisen Bank team, performance is a sustained, systematic, step-by-step race. We are honored to be part of David Popovici's gallery of supporters, to support him in his sports journey and we invite you to join us!", said on that occasion Zdenek Romanek, President and CEO of Raiffeisen Bank Romania.

MAY **Raiffeisen Bank supported ClimAccelerator for the third consecutive year**

The Romania ClimAccelerator program opened once again its doors in 2023 for startups with innovative ideas and solutions from the Greentech area, in two different stages of development, offering access to know-how, a network of consultants, mentors, investors, business acceleration support, as well as funding opportunities. Romania ClimAccelerator is organized with the support of EIT Climate-KIC, the most important European initiative in the field of climate innovation, by Impact Hub Bucharest, with Raiffeisen Bank Romania and OMV Petrom as main partners in 2023. Considering the European Union's goal of achieving climate neutrality by 2050, Raiffeisen Bank Romania has assumed the role of pioneer in the transition to a neutral economy and a sustainable community, also understanding the need to ensure a fast and efficient transition towards a sustainable economic model. At the same time, we support innovation as a catalyst in identifying sustainable solutions to climate change.

JUNE **Raiffeisen Bank supported the Empowering Women in Agrifood 2023 program**

Raiffeisen Bank supports women entrepreneurs in the agrifood sector. In June 2023, the Bank supported the third edition of the Empowering Women in Agrifood acceleration program. 122 women entrepreneurs from all over the country enrolled in the program, out of which 10 were selected to participate in training sessions, mentoring and networking opportunities. Between July and September 2023, the 10 entrepreneurs took part in two webinars on Business Modeling and Basic Financial Aspects, as well as a masterclass, and on November 21, 2023 they participated in the closing event of the program – Pitching Event –, when they had the opportunity to present their business and evolution in the accelerator in front of the public, mentors, investors, and to win one of the two grants offered by EWA 2023: 10,000 euros for the grand prize and 5,000 euros for the second prize.

JULY **More than 20 entrepreneurs attended the factory Bootcamp**

More than 20 entrepreneurs participated, between July 1-2, in the factory Bootcamp powered by Raiffeisen Bank, a summer school dedicated to those who need support to implement, develop or scale a business. The project combined mentoring with practical exercises to help strengthen the business plans of the participants enrolled in the program. Chosen from over 100 registrants from all over the country, those present attended 2 days of trainings and practical sessions with specialists in financing, branding, digital marketing, sales, community management and PR.

Raiffeisen Bank and Raiffeisen Asset Management launched three new SmartInvest investment solutions

Raiffeisen Bank and Raiffeisen Asset Management launched three new recurring investment solutions from the SmartInvest series, targeting the investment funds Raiffeisen Euro Flexi, Raiffeisen Ron Flexi and Raiffeisen Romania Dividend. Raiffeisen Bank thus continues the strategy of promoting a way of doing banking based on democratization access to financial planning and 1:1 discussions with financial experts who guide the Bank's customers in creating personalized financial plans, suited to their needs and incomes, with practical, useful and easy-to-understand financial information.

Raiffeisen Bank launched new environmental impact management campaigns

Raiffeisen Bank, the first bank in Romania to initiate a carbon footprint calculation solution in the Smart Market app, continued its efforts to help its customers be aware of and manage the impact they have on the environment. Starting July 2023, the Smart Market loyalty app includes a new section, entitled "Care for the Environment", through which Raiffeisen Bank is launching new sustainability campaigns. Thus, customers benefit from offers on products and services that help them manage their carbon footprint, such as urban mobility solutions or sustainable financing banking products.

Raiffeisen Bank published a new sustainability report, reconfirming its commitment to a sustainable future

For the 14th consecutive year, Raiffeisen Bank Romania has published the Sustainability Report, presenting information on the company's non-financial performance and economic, social and environmental impact in 2022. The results indicated a strengthening of the Bank's role as a facilitator in the transition to a green economy and a sustainable community, by increasing resources for investments that stimulate the development of a sustainable economic model.

AUGUST **Raiffeisen Bank Romania and BCR coordinated and signed the syndicated credit facility**

Raiffeisen Bank Romania and Banca Comercială Română (BCR) successfully completed the signing of a syndicated facility worth 550 million euros, as Coordinators and Lead Arrangers supporting the current activity of the Ameropa group. The syndicated facility was signed alongside ING Bank Romania, UniCredit Bank, Alpha Bank Romania, Banca Transilvania, as Mandated Lead Arrangers, and BRD Groupe Société Générale, GarantiBank International and Banca Comercială Intesa Sanpaolo Romania S.A., as Original Lenders. For the syndicated facility worth 550 million euros, Raiffeisen Bank Romania had a 21.2% participation as Mandated Lead Arranger, Structuring Bank and Bookrunner.

More than 360 Romanian businesses financed with 14 million euros through factory by Raiffeisen Bank

The factory by Raiffeisen Bank program, launched in 2018 to support entrepreneurs at the beginning of their journey or those who want to turn their business plan into reality, has reached over 360 financed businesses, the total value of financing exceeding 14 million euros. In 5 years, over 1,000 businesses were registered on the factory platform. Of these, over 600 were shortlisted for the final interview stage and more than half received funding. The average amount accessed per business was 38,000 euros, money needed mainly for investments (60%) and for working capital (40%).

Raiffeisen Bank started registration for GreenFields Academy, a free program dedicated to sustainable agriculture

GreenFields Academy is a free educational program dedicated to Romanian farmers interested in acquiring knowledge for putting into practice the principles of environmental conservation and biodiversity in agriculture. The program, in its third edition in 2023, was organized by the AMAZAG agricultural platform and supported by Raiffeisen Bank. Registrations were open until September 18, and the program was aimed at those who wanted to implement innovative sustainable farming techniques on their farms. The courses lasted 6 months and the format included 7 online theoretical course modules, complemented by technical meetings organized in the field.

SEPTEMBER **Enrollment in the MBAG program for young farmers began**

Raiffeisen Bank Romania continued to support MBAG, the agricultural management and business program dedicated to young farmers, in its fourth edition in 2023. Under this project, Romanian farmers learn from the major companies in the field how to manage their farm, so that it becomes a profitable and sustainable business. The program format combines technical learning modules (agriculture and machinery, financial management, sales and trading) with practical activities in the field, targeting professional farmers managing field crops of at least 200 ha.

OCTOBER **International investors trust Raiffeisen Bank Romania**

Raiffeisen Bank Romania launched on October 5th, a premiere for the Romanian banking sector, the first issue of sustainable non-preferential senior Eurobonds on the international capital market. The EUR 300 million issue, with a fixed coupon of 7% in the first three years and a final maturity of four years, attracted high interest from institutional investors, who placed subscription orders totaling more than one billion euro. The bonds were included in the Bank's base of own funds and eligible liabilities, after the prior approval of the National Bank of Romania, and were listed on the Luxembourg Stock Exchange (LuxSE). The funds raised are used to finance sustainable projects, according to the eligibility criteria described in the Bank's Sustainable Bond Framework.

Raiffeisen Smart Market is the Best Customer Loyalty Program

The Smart Market loyalty app, launched by Raiffeisen Bank Romania more than two years ago, was awarded Best Customer Loyalty Program at the Global Retail Banking Innovation Awards 2023. The competition, in its sixth edition in 2023, and is was organized by the international publication The Digital Banker, specialized in news, analysis and research in the global finance sector. The Global Retail Banking Innovation Awards competition, open to financial institutions from around the world, recognizes companies that excel in how they manage to put innovation and technology to work to create the best products, services and customer experiences, raising the bar and redefining excellence in the financial services. For the 2023 edition, the entries were reviewed by a jury made up of experts from several consulting companies, including KPMG, EY, PwC, Deloitte, Forrester.

Agreement between the European Investment Fund and Raiffeisen Bank Romania

The European Investment Fund (EIF) granted Raiffeisen Bank Romania two guarantee schemes worth 400 million euros to finance investments made by SMEs in the local market. The signing of the agreement between EIF and Raiffeisen Bank supports the largest investment plan in recent years, dedicated to small and medium-sized enterprises. The agreement with the EIF was also signed by four other banks in the market, the total amount allocated in the first phase for this financial instrument amounting to 1 billion euro, allowing for a total of 2.5 billion euro in financing.

The world of entrepreneurship, closer with the third season of the Gata de Business podcast

Raiffeisen Bank kicked off the third season of the Gata de Business (Ready for Business) podcast, after the first 2 seasons enjoyed approximately 9 million views. The season's host was Paula Herlo, an Emmy Award-winning journalist with more than 20 years of experience in television campaigns. The season aired from November 2023 to March 2024 on Raiffeisen Bank's official YouTube channel and the company's social media pages, the people being able to find out more about the world of entrepreneurship. In addition to challenges, opportunities and business advice, the Gata de Business season discussed major issues on how to be more attractive as an employer, how to find your niche and position your brand, how to access financing solutions available for SMEs and more.

NOVEMBER

Raiffeisen Communities, the accelerator of sustainability NGOs, offered total grants of 1 million euro

Raiffeisen Bank Romania reaffirmed its commitment to the development of local communities by launching the 2023 edition of the sustainability NGO accelerator Raiffeisen Communities, which aimed to support and stimulate innovative, sustainable local projects with real impact. Under the message "We have more in common than what separates us", Raiffeisen Communities is committed to supporting the sustainable transformation of communities in Romania. In 2023, the amount of funding granted amounted to 1 million euros. Beyond funding, Raiffeisen Communities also offers an acceleration and mentoring program, including practical courses to increase the capacity to implement winning projects: financial management, fundraising, communication and developing a support network in the community.

Raiffeisen Bank Romania announced its support for the construction of the medical campus built by Dăruiește Viață

Raiffeisen Bank Romania supports the Dăruiește Viață (Give Life) initiative for the construction of the first medical campus in Romania by 2030. This represents the second stage of an initiative started more than 5 and a half years ago, recently completed with the inauguration of the first hospital dedicated mainly to children with cancer in Romania, and aims at the construction of a building of similar dimensions to the one whose completion was marked on Friday, November 24, after which a medical campus with accommodation, learning and technical spaces will also be developed. The second building will be built to move all the other specializations of the "Marie Curie" Hospital in Bucharest and provide the same treatment conditions to all patients, as well as research and training spaces for the medical team. The estimated opening date for the second building is 2027, and the medical campus is expected to be completed in 2030.

DECEMBER

Raiffeisen Bank Romania and the Romanian Tennis Federation signed a partnership for the coming years

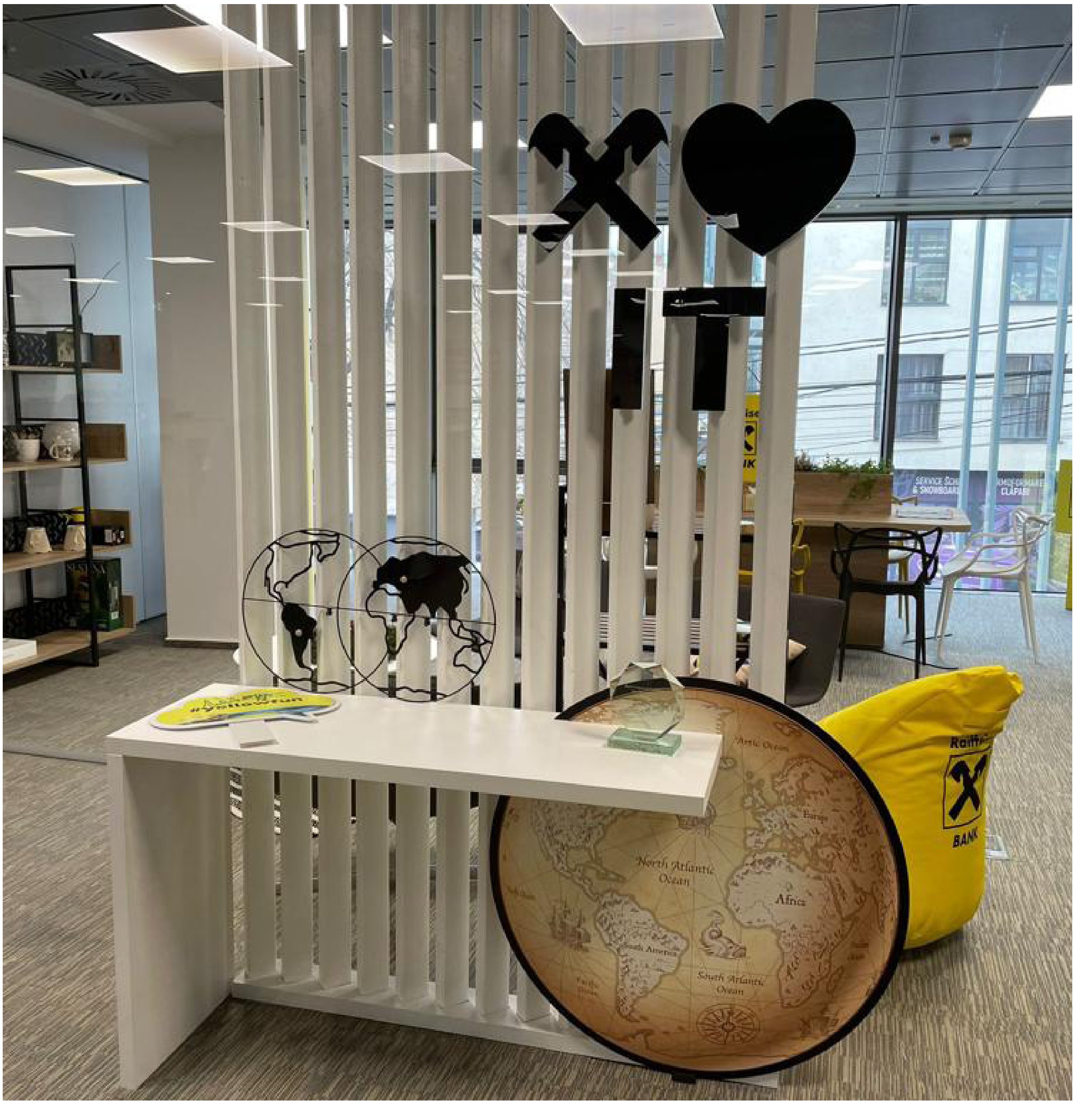
Raiffeisen Bank Romania announced the signing of a partnership with the Romanian Tennis Federation for the coming years. The signing of the agreement was attended by Cristian Sporiș, Vice President, Corporate Banking Division and member of the Board of Directors; Laura Mihăilă, Director of Marketing, Communication & CX on behalf of Raiffeisen Bank Romania, and the Romanian Tennis Federation was represented by George Cosac, president of RTF, Gabriel Moraru, General Director RTF, and Horia Tecău, captain-non-player of the Billie Jean King Cup team of Romania. Raiffeisen Bank Romania supported in 2023 and will continue to support the Romanian team in the qualifications for the final tournament of the Billie Jean King Cup, which will take place in the fall of 2024.

Raiffeisen Bank Romania finances the development of the largest photovoltaic park in Southeast Europe

Raiffeisen Bank Romania and Raiffeisen Bank International granted a loan worth 60 million euro for the development of the largest photovoltaic park in Romania and South-Eastern Europe, put into operation in 2023, in Rătești, Argeș County. The photovoltaic park in Rătești, owned in equal proportions by the Israeli companies Econergy and Nofar Energy, is being developed on an area of 170 ha and has an installed capacity of 155 MW, with a total investment of 102 million euro. The park has the capacity to provide green electricity for approximately 100,000 households, contributing to a significant reduction of CO_2 emissions, estimated at 168,000 tons per year in Romania.

Raiffeisen Bank Romania and Babeș–Bolyai University launched an education and innovation hub

Raiffeisen Bank Romania and the Faculty of Mathematics and Computer Science of Babeș–Bolyai University in Cluj launched Think Tank Lab, a project aimed at BBU students passionate about technology and the prospect of developing state-of-the-art banking products. The Faculty of Mathematics and Computer Science thus continues the initiatives and projects that lead to a quality specialized training of students, to the introduction and development of creative solutions in collaboration with other educational institutions or the business environment.



Management Report

BUSINESS 1:1

We aim to grow two-dimensionally, both in the scope of banking services and in our ability to provide the best financial planning, whatever our clients' plans: personal finance, lending, investment, savings, insurance.

Economic environment

The economy maintained a growth trend in 2023 after showing an unexpectedly high resilience to major adverse shocks that occurred during the period of 2020-2022. However, economic growth decelerated in 2023, with the real Gross Domestic Product (GDP) increasing by only 2.1% compared to 2022.

In 2023, the best economic performance was recorded in the construction and services sectors. Industry continued to be the weak link in the economy in 2023, the activity being negatively impacted by low external demand and high production costs.

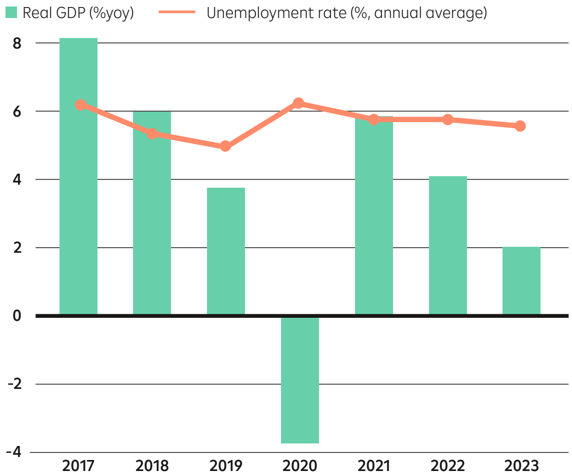
A major contribution to the real GDP growth in 2023 was provided by the large increase in investment in the economy, especially public investment. On the other hand, the growth of household consumption of goods and services moderated substantially in 2023. With labour market conditions remaining favourable and pension incomes rising substantially, the slowdown in private consumption growth in 2023 was most likely the consequence of increasing household caution about consumption spending. Increase in net wage earnings in the economy totaled 15.5% in 2023, significantly exceeding the annual inflation rate of 6.6%. The average annual unemployment rate was 5.6% in 2023, thus remaining at a historically low level. At sector level, the best performance was recorded in the construction and services sectors. Industry continued to be the weak link in the economy in 2023, with activity negatively impacted by low external demand and high production costs (especially in energy-intensive industries).

Fiscal consolidation stalled in 2023, with the public budget deficit totaling 5.6% of GDP, a level close to that of 5.8% of GDP recorded in 2022. Thus, the actual level of budget deficit in 2023 was significantly higher than the target of 4.4% of GDP initially set. A positive aspect of the public budget execution in 2023 was the large level of public investment spending (6.3% of GDP).

Inflationary pressures decreased substantially in 2023 compared to 2022, with the annual inflation rate standing at 6.6% at the end of the year. The disinflationary process materialized in 2023 was supported by the broad moderation of price increases for food and non-food goods, while inflationary pressures at the level of service tariffs intensified compared to 2022. The government's decision to cap energy prices also contributed to the reduction of inflationary pressures in 2023.

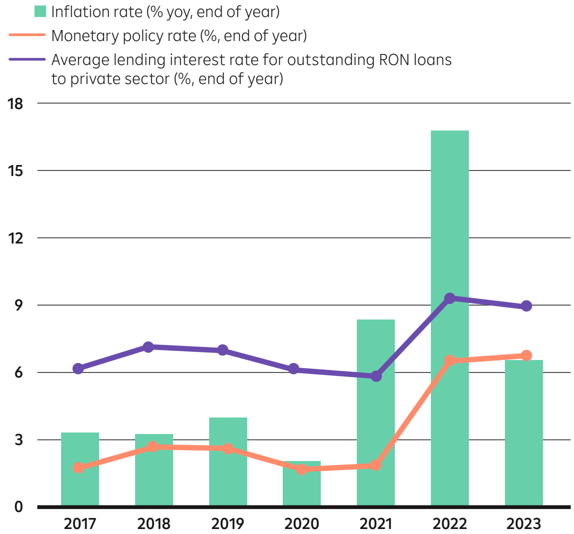
The monetary policy interest rate was raised to 7% in January 2023 and was maintained at this level throughout the year, as inflationary pressures remained high. The surplus of liquidity that appeared in the money market in the last quarter of 2022 continued to increase throughout 2023. This liquidity surplus was fully placed by banks at the deposit facility of the central bank at an interest rate of 6%. In these circumstances, the interest rates in the money market (ROBOR rates) maintained a downward trend throughout 2023, which also led to certain reductions in the interest rates of bank loans and deposits.

Dynamics of economic activity



Source: National Institute of Statistics, Raiffeisen Bank

Dynamics of inflation and interest rates



Source: National Bank of Romania, Raiffeisen Bank

Romania: key economic figures

	2019	2020	2021	2022	2023
Nominal GDP (EUR bn)	224.2	220.5	241.7	284.2	**320.8**
Real GDP (% yoy)	3.9	(3.7)	5.7	4.1	**2.0**
Private consumption (% yoy)	3.4	(3.9)	7.2	5.8	**2.7**
Gross fixed investments, private and public (% yoy)	12.6	1.1	2.9	5.9	**8.0**
Industrial output (% yoy)	(2.3)	(9.2)	7.1	(1.8)	**(4.9)**
ILO unemployment rate (avg., %)	4.9	6.1	5.6	5.6	**5.5**
Average monthly net wage, EUR	629	665	694	771	**887**
Producer prices (avg., % yoy)	4.0	0.0	14.9	44.7	**5.1**
Consumer prices (avg., % yoy)	3.8	2.6	5.1	13.8	**10.4**
Consumer prices (eop, % yoy)	4.0	2.1	8.2	16.4	**6.6**
Public budget balance (% of GDP, cash terms)	(4.6)	(9.5)	(6.7)	(5.8)	**(5.7)**
Public debt (% of GDP)	35.1	46.9	48.6	47.6	**48.2**
Current account balance (% of GDP)	(4.9)	(4.9)	(7.2)	(9.2)	**(7.1)**
Gross external debt (% of GDP)	49.0	57.5	56.5	50.6	**52.6**
Foreign direct investment (% of GDP)	2.3	1.4	3.7	3.5	**2.1**
Official FX-Reserves (EUR bn, eop)	32.9	37.4	40.5	46.6	**59.8**
Monetary policy rate (eop, %)	2.50	1.50	1.75	6.75	**7.00**
ROBOR 3-month, avg.	3.1	2.4	1.8	6.2	**6.6**
RON/EUR, avg.	4.75	4.84	4.92	4.93	**4.95**
RON/EUR, eop	4.78	4.87	4.95	4.95	**4.97**

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

Developments in the banking sector

Lending activity moderated across all segments in the second half of 2022 and showed no signs of a major rebound during 2023. This development was driven by rising interest rates, slowing economic growth and increasing uncertainty about the outlook for the economy.

18.9%

was the increase in the balance of deposits in lei attracted by banks from households and companies in 2023, while the balance of foreign currency deposits decreased by 2.3% (in euro equivalent). Both households and non-financial companies continued to show a strong preference for deposits in lei to the detriment of foreign currency deposits due to their higher interest rates.

The balance of loans granted by banks to households and companies increased by 6.4% during 2023 (dynamics calculated in lei equivalent). Similar to previous years, the best performance continued to be recorded at the level of loans granted to non-financial companies, their balance increasing by 10.3% during 2023. Lending on this segment continued to benefit from the extension of programs included in the state aid scheme "IMM Invest Plus" through which small and medium-sized companies obtained state-guaranteed loans. During the first half of the year, non-financial companies showed a higher preference for loans in foreign currency compared to those denominated in lei, but the situation reversed in the second half of the year when lending in lei became predominant. The narrowing of the differential between interest rates on loans in lei (decreasing) and interest rates on loans in euro (increasing) contributed to this change.

Mortgages origination suffered in 2023 as a result of rising interest rates and households' reluctance to buy homes, their balance falling by 0.4% over the year. Origination of loans for consumer and other purposes also showed a modest performance in 2023, with their balance increasing by only 4.3%. Most of the loans granted to households in 2023 were denominated in lei.

Growth of outstanding bank deposits of households and companies accelerated to 11.8% in 2023 from 7.1% in 2022 amid accelerating real disposable income growth, increasing preference of individuals for saving, rising interest rates and ample liquidity injections into the economy by the public sector. The balance of household deposits increased by 11.7% during 2023, while the balance of deposits of non-financial companies increased by 14.9%. Both households and non-financial companies continued to show a strong preference for deposits in lei to the detriment of foreign currency deposits due to their higher interest rates. Thus, the balance of deposits in lei attracted by banks from households and companies increased by 18.9% in 2023, while the balance of foreign currency deposits decreased by 2.3% (in euro equivalent). Banks continued to issue bonds to meet their MREL requirements, most of them fulfilling the ESG standards and so contributing to the development of sustainable financing in Romania.

The aggregate balance sheet of the banking system at the end of 2023 showed a healthy funding structure, with outstanding loans granted to households and companies representing only 67.4% of the outstanding deposits of these banking customers. The share of foreign currency denominated loans in total bank loans stood at 31.6% at the end of the year (share of 12.3% on the household segment, respectively of 45.7% on the segment of non-financial companies). The NPLs ratio in the banking system continued a downward trajectory, decreasing from 2.65% in December 2022 to 2.33% in December 2023. The profitability of the banking system improved substantially in 2023 as a result of higher interest rates, lower provisioning costs, higher banking activity and lower yields on government securities in banks' portfolios.

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 2023.

Aggregate monetary balance sheet of credit institutions and money market funds

	2023 (RON bn)	2023/2022 (change in %)	2023 (% of total assets)	2022 (% of total assets)
Loans and placements with banks and NBR	119.4	**43.1**	14.0	**10.9**
Loans to domestic residents, at gross value:	424.3	**7.6**	49.8	**51.7**
- households	173.9	**1.4**	20.4	**22.5**
- companies	213.2	**10.9**	25.0	**25.2**
- public sector	37.2	**21.4**	4.4	**4.0**
Debt securities issued by residents (mainly government securities)	157.9	**11.5**	18.5	**18.5**
Other assets, of which:	151.0	**4.9**	17.7	**18.9**
- external assets	76.6	**32.2**	9.0	**7.6**
- fixed assets	20.8	**8.4**	2.4	**2.5**
Total gross assets	**852.5**	**11.7**	**100.0**	**100.0**
Deposits from domestic banks and other MFIs	9.6	**(32.6)**	1.1	**1.9**
Deposits from domestic residents:	619.9	**13.6**	72.7	**71.5**
- households	338.0	**11.7**	39.6	**39.7**
- companies	236.0	**12.1**	27.7	**27.6**
- public sector	45.9	**41.7**	5.4	**4.2**
Debt securities issued	29.1	**99.3**	3.4	**1.9**
External liabilities, excluding debt securities	42.4	**(3.3)**	5.0	**5.7**
Capital and reserves, including provisions	97.5	**15.2**	11.4	**11.1**
Other liabilities	54.2	**(10.3)**	6.4	**7.9**
Total equity and liabilities	**852.5**	**11.7**	**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 and reserves" includes also provisions. For comparison, net assets of credit institutions amounted only to RON 803.4 bn at the end of 2023. Components may not sum up to totals due to rounding to one decimal.

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

Summary of Raiffeisen Group's results in Romania

We are very proud of our financial performance in 2023. We continue to support the real economy and actively contribute to the sustainable financing of the business sector, relying on a solid foundation, consolidated also through the results obtained this year: strong capital position as shown by the total capital adequacy ratio before profit incorporation above 21%, non-performing loans below market average, loans/deposits ratio at 78%, cost-to-income ratio at 44%, while return on equity (RoE) stands at around 26%.

I. Highlights & accomplishments in 2023

EUR 4.4 bn
is the value of the newly loans approved by the Bank in 2023.

- *Funding the real economy remains a key objective for us.* Newly approved loans by the Bank reached approximately EUR 4.4 bn during 2023. Companies new lending business stood at EUR 3.2 bn, with a high focus on financing sustainable projects, covering the existing need of working capital, while also having an active involvement in governmental schemes such as IMM Invest. In addition, the new loans granted to Private Individuals amounted to EUR 1.2 bn, bearing mostly fixed interest-rates.
- *Banking 1:1, a new perspective for financial planning in the banking industry.* During 2023, we launched personal financial planning services for our customers, supported by the access to a wide range of banking products and services according to their actual needs and the possibility to engage in a 1:1 dialogue with our experts in order to receive the best recommendations. As a result, 2023 brought a significant increase of investment plans, voluntary pensions and life insurance with savings component.
- *Digitization remains a top pillar of our strategy:* clients actively using our digital channels grew by 9% in 2023, exceeding 1.4 million landmark (62% of our total customer base), thus confirming once again our commitment to continually enforce the digital infrastructure: digital wallet transactions grew by around 60%, the number of clients enrolled in Smart Mobile application going through the end-to-end enrollment flow grew by more than 4 times and new personal loans granted 100% via digital channels doubled in comparison with 2022.
- *First issuance of Eurobonds on the international capital market.* In October 2023, RBRO successfully issued a new MREL bond of EUR 300 mn in sustainable format with a high interest from institutional investors with subscriptions orders over EUR 1 bn, a premiere for the local banking system. We contributed once again to Romania's transition towards a sustainable economy, supporting the transition towards a green banking business and strengthening the resilience and competitiveness of small and medium-sized enterprises.

II. Selected financials of the Group

a) Statement of Profit & Loss

				informative conversion	
Main profit and loss items	**Note**	**2023 RON '000**	**2022 RON '000**	**2023 EUR '000**	**2022 EUR '000**
				Unaudited	**Unaudited**
Net interest income	8	2,820,929	2,400,353	570,898	486,735
Net fee and commission income	9	602,250	559,076	121,883	113,367
Net trading and investment income	10	377,550	329,197	76,408	66,753
Other operating income	11	79,967	12,624	16,184	2,560
Operating income		3,880,696	3,301,250	785,373	669,416
Operating expenses	12,13	1,827,454	1,667,780	369,839	338,186
Pre-provisioning profit		**2,053,242**	**1,633,470**	**415,534**	**331,229**
Net charge of provision for impairment losses	14	(29,919)	147,381	(6,055)	29,885
Share of loss of associates	25	1,166	648	236	131
Profit before income tax		2,084,327	1,486,737	421,825	301,475
Net profit for the year		**1,700,767**	**1,256,230**	**344,200**	**254,734**

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

EUR 344 mn
was the net profit reached by the Group in 2023.

- Net profit of the Group reached around EUR 344 mn in 2023, up by 35% YoY.
- Net interest income experienced an increase of 17% YoY in a context of higher lending volumes and increasing market rates, compensated at some extent by a higher interest expense paid to our clients for saving products.
- Net commission income increased by 7% YoY, backed by a better transactional activity for cards business, life insurances and voluntary pensions, in line with the Bank strategy. On the other side, cash related transactions remained on a decreasing trend also in 2023. Starting the beginning of 2022, our footprint was fully migrated to multifunctional machines and electronic channels, in line with our strategic approach to tighten the relationship with our clients and make concrete steps towards a transactional activity that is fast, convenient and cost-effective for both the Bank and clients.
- Trading income shows a good performance, growing by 14% versus the previous year. Worth highlighting a higher level of FX related commissions, driven mainly by better transactional volumes, grounded on an increased propensity for consumption and travel and our customers inclination to place their liquidities in stronger currencies in order to protect against possible exchange rate fluctuations.
- Operational expenses grew YoY by 9%, mainly from HR costs, in line with our strategy to retain top talents, but also from IT area, having as main objectives the development of digital infrastructure and streamlining operational processes, in order to improve the customers' and employees' experience. Hence, we make constant efforts in order to cover our clients' need by offering efficient, quicker and more accessible products and solutions using the latest available technologies in the IT area.
- Provision costs stands significantly below last year level. An element which led to a positive impact for the Bank's financial performance was the disciplined behavior of customers which continued to pay their instalments. Despite an uncertain economic context, their risk profile was particularly good, given the possibility to benefit from government programs provided by the Bank, but also from fixed interest rate, especially for private individuals.

b) Balance sheet

Raiffeisen Bank Romania's success resides in the balanced and sustainable business growth model. We are very proud of 2023 achievements, a year which marked the successful launching of a new perspective for personal financial planning in the Romanian banking system through "Banking 1:1" concept with outstanding results that reinforce our status as the financial institution of the future.

A key objective of our activity is to remain a trusted partner for our clients by providing a diversified range of banking products and services, adapted to their financial needs, while offering them the opportunity to benefit from personal financial planning services through 1:1 dialogue with our experts. In addition, RBRO was actively involved in financing sustainable projects, providing accessible financing solutions through Governmental support programs such as IMM Invest for companies, contributing to the Catalyst organizational development programs for Mid-Market sector, while also encouraging saving process by offering our clients competitive interest rates in the market for both deposits and saving accounts.

The Group has strengthened its foundations during 2023, bearing a wide range of funding sources. We enjoy a positive perception from the part of our clientele, as a sound and secure financial institution regardless of the economic context.

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

				informative conversion	
Balance sheet	Note	2023 RON '000	2022 RON '000	2023 EUR '000	2022 EUR '000
				Unaudited	Unaudited
Cash and cash equivalents	17	13,867,449	8,281,451	2,800,713	1,673,900
Loans and advances to banks	20	484,640	323,543	97,879	65,397
Loans and advances to customers	21	41,991,661	40,036,027	8,480,765	8,092,337
Investment securities	22,24	12,751,827	12,306,252	2,575,398	2,487,418
Other asset positions		1,682,270	1,642,483	339,756	331,989
Total assets		**70,777,847**	**62,589,756**	**14,294,512**	**12,651,040**
Deposits from banks	32	494,928	578,106	99,957	116,850
Deposits from customers	33	54,400,238	49,233,568	10,986,840	9,951,402
Debt securities issued	34	5,555,004	3,887,808	1,121,906	785,829
Subordinated liabilities	34	326,115	323,726	65,863	65,434
Other liability positions		2,373,411	2,112,576	479,341	427,007
Equity	37-39	7,628,151	6,453,972	1,540,605	1,304,518
Total liabilities and equity		**70,777,847**	**62,589,756**	**14,294,512**	**12,651,040**

EUR 14.3 bn
was the balance sheet size reached in 2023, advancing by 13% compared to the previous year.

- In 2023 balance sheet size reached around EUR 14.3 billion, advancing by 13% compared to the previous year.
- The net loans and advances stock shows a 5% increase YoY, especially from legal entities business segments. Corporate loans increased by 8% year-on-year, in a context of an active involvement of the Bank in financing both sustainable projects (renewable energy, energy efficiency) and social projects, thus supporting the development of clients' businesses and the Romanian economy at the same time. SMEs loan book shows also an upward trend (+7% year-on-year), grounded on various lending solutions adapted to our customers' needs, but also the possibility to opt for governmental programs such as IMM Invest. On the other hand, Private Individuals loan stock declined by 2% YoY due to a moderate demand for new loans (especially mortgages) on the background of uncertainty, persistent inflation and a rising interest rates environment. In order to protect our customers from possible shocks caused by the evolution of interest rates, most of the loans granted by the Bank were bearing fixed interest rates.
- The balance sheet is continuously leaning towards local currency business, as a share of around 60% of our loan book is RON-denominated, with main influence from Retail lending for which a weight of near 80% of the total loan stock is RON-denominated. Notably, EUR denominated loans became more attractive for Corporate clients, thus leading to a higher share of foreign currency loans starting with 2022.
- Customer liabilities stock consolidated by 10% in comparison with last year, positively impacted by all business segments. From a product perspective, term deposits registered a strong advance of 80% vs. 2022 year-end, especially from Private Individuals customers. During 2023, we have gradually increased the interest rates offered to customers for savings products in both local and foreign currency, coming with competitive offers on the market. This development is fully aligned with our strong commitment to build a solid and sustainable foundation for the long term development of the balance sheet, with focus on real economy financing.
- On the other hand, current accounts stock declined by around 10% year-on-year, impacted by all business segments in line with our clients' preference to switch their savings to more complex products with higher returns such as deposits, government securities or investment funds.
- Regarding our liability's denominations, the structure between RON and foreign currencies remains in favor of the former and closed the year at around 65/35 ratio for LCY denominated volumes. Our clients show a high preference for keeping their savings in foreign currencies on the background of the attractive interest rates available for EUR and USD denominated deposits.

- The Bank's capitalization and liquidity remained at solid levels during 2023. The capital adequacy ratio stood at 21.4% at Bank level, well above the minimum level required by the NBR of 17.4%. The year 2023 was characterized by a strong liquidity position, allowing the Bank to remain the same trusted partner for its customers. The main funding source of the Bank was its strong customer deposit base, which represents 78% of the total liabilities as of 31 December 2023.
- The strong rise in customers' deposits during the year, as well as our cautious policy to partially retain profits and grow the average equity position during these challenging times, have all granted the Group a solid footing for the future.

In 2023,

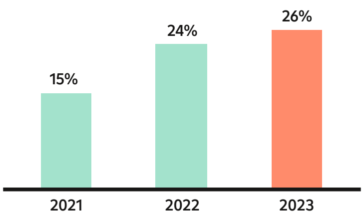
Raiffeisen Bank issued the first sustainability senior non-preferred Eurobonds on the international capital market in a premiere for the Romanian banking sector.

- Raiffeisen Bank continued to issue sustainability bonds in 2023 and, in a premiere for the Romanian banking sector, it issued the first sustainability senior non-preferred Eurobonds on the international capital market. We issued EUR 300 mn MREL bonds with a fixed coupon of 7% in the first three years and a final maturity of four years, attracting a high level of interest from institutional investors, with total subscription orders over EUR 1 bn. The funds raised will be used to finance sustainable projects, in accordance with the eligibility criteria described in the Sustainability Bond Framework. Through all the bond issuances placed over the past 3 years, the Bank has strengthened its own funds and eligible liabilities position, thus creating the premises for a sustainable development of its loan portfolio. As of 31 December 2023, RBRO had outstanding 7 eligible green and sustainability bonds with a total volume of over RON 4.9 bn. Hence, the Bank further strengthened its MREL ratio to over 36%, a level significantly higher than the regulatory requirements applicable on 1 January 2024. Also, through the sustainable and green format of the bonds issued, the Bank reaffirms its commitment to contribute to Romania's transition towards a sustainable economy, supporting the reduction of regional disparities and strengthening the resilience and competitiveness of small and medium-sized enterprises.
- Raiffeisen Bank continued its successful partnership with the EIF Group in 2023 by signing three new guarantee agreements, through which the Bank will support small and medium-sized enterprises (SMEs) to strengthen their resilience, competitiveness and contribution to the transition to the green economy. The new guaranteed schemes will support more than EUR 650 mn of loans to SMEs over the next few years under more favorable financing conditions. Currently, the Bank has 9 financing and guarantee agreements signed with EIF, and through these programs, the Bank can grant loans to SMEs and Small Mid-Caps on attractive terms, with reduced collateral requirements and for longer terms.
- In 2023, Moody's has reaffirmed the Bank's Baa1 ratings for deposits and senior unsecured debt with stable outlook, two notches above Romania's sovereign rating. Moody's also upgraded the Bank's rating for senior non-preferred MREL bonds (junior senior unsecured debt) by one notch from Baa3 to Baa2, reflecting a strong financial position and demonstrated access to funding through international capital markets.

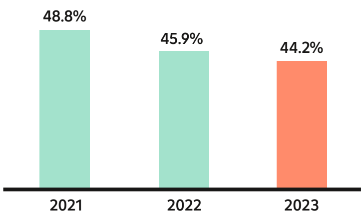
III. Performance focus

ROE[1] reached a level of 26% in 2023, significantly above the average market level and on an upward trend by 3pp YoY. We obtained higher revenues YoY driven by higher lending volumes and ascending market rates. Operational expenses remained in our focus, increasing especially from HR and IT areas, while risk costs stood significantly below 2022 level, thanks to a disciplined behaviour of our clients, which continued to pay their installments.

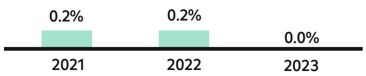
ROE[1]



CIR[2]

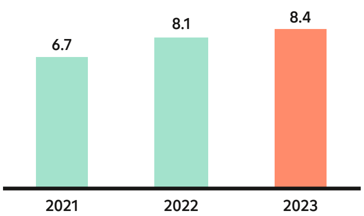


Risk charge[3]

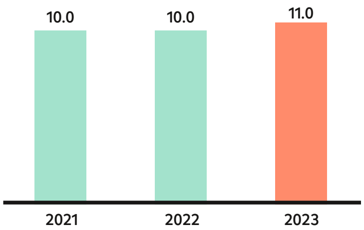


We are pleased to see that customer liabilities consolidated by 10% YoY, with solid results in all business segments, driven by higher balances of term deposits. During 2023, we have gradually increased the interest rates offered to customers for saving products, in both local and foreign currency, in order to partially mitigate the negative effects of inflation. Customer loans consolidated by 5%, especially from legal entities segments.

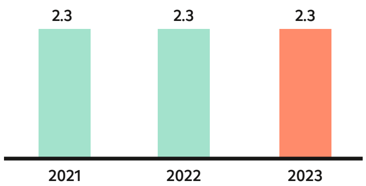
Loans, net[4]
(EUR bn)



Deposits
(EUR bn)

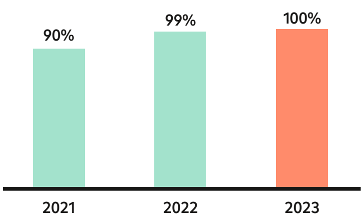


Clients
(mn)

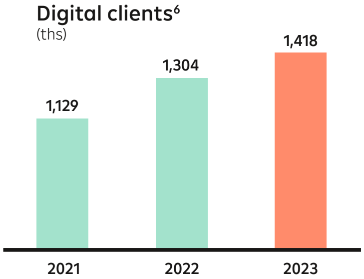


Digitalization remains a core pillar of our strategy. We are actively involved in strengthening the digital infrastructure and streamlining the processes in order to provide fast and accessible solutions to our customers, by using the newest technologies. Our efforts paid off and we are pleased to see that the number of customers actively using the Bank's digital channels increased by approximately 9% in 2023, exceeding 1.4 million or 62% of the total customer base.

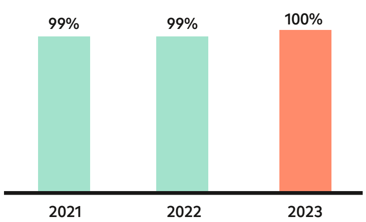
Share of cash withdrawals from ATM/MFM[5]



Digital clients[6]
(ths)



Electronic payments
(% of total)



[1] Bank level, net profit divided by the average value for equity in the period, without the profit of the current year
[2] Cost/income ratio calculated based on Group reporting management accounting standards
[3] Provisions for impairment losses divided by total average assets
[4] Loans, net of provisions
[5] Cash withdrawals through ATM and multi-functional machines, as share of total cash withdrawals of the Bank
[6] Private individual and SME clients who logged in the mobile or online application at least once in the last month

People, Culture and Organization

We want to provide our employees with the tools, atmosphere and working environment so that their emotional engagement and connection to what Raiffeisen Bank stands for as an employer is strong and beneficial, so that we can offer our clients the best financial expertise and top digital solutions.

People come first

In order to achieve these goals, we have integrated the "people come first" philosophy into our day-to-day activity, with visible results in the measured indicators: employee workplace satisfaction increased from 80% last year to 86% in 2023 and eNPS registered a significant increase, from 80% to 84%. The Bank's concern for its employees is appreciated, the Care & Concern indicator increased from 79% to 83%, and the Well-being indicator increased as well, from 79% to 84% (employees consider their office work allows for a good work-life balance).

Work from home program

Hybrid work model, with an adaptation component depending on the specifics of the workplace and with a minimum number of in-office days per week, embraced by the colleagues, specific at the level of the Head Office and Brașov Operational Center, continued. It consists of the physical presence at the office minimum one day per week and is perceived as a differentiator factor, helping us in attracting candidates and retaining people in Raiffeisen Bank.

Relevant employee data

We have 4,858 active employees at the end of 2023, 71 less than in the previous year. This decrease comes mainly from the streamlining of processes carried out in the operational areas. At the same time, the number of internal and external recruitment processes decreased from 1,738 (year 2022) to 1,330 (year 2023), representing a decrease of 23%. Staff turnover decreased across the entire organization in 2023 compared to the previous year, in terms of the number of voluntary departures (5.9% vs. 16.6% in 2022). We registered a 33% decrease in voluntary departures in the IT area. At the same time, we saw an increase in the number of new hires, due to the addition of more than 140 positions. We also recorded a significant reduction in voluntary departures in the Retail Network, from 16.6% to 4.4%. We also registered a decrease in the total number of departures from the organization (both voluntary and involuntary), 823 in 2023 vs. 958 in 2022 (-14%).

Salaries and employee benefits

Our focus in 2023 was once again to have motivated employees in all aspects – and especially from the financial security perspective. This is why we have started a number of initiatives in this respect: increasing the net minimum wage across the organization, positioning in the salary scale in line with the market, granting merit salary budgets to correctly position the salaries of the high-performers.

In 2024, the budget allocated to support human capital will continue to grow, in order to support the investment in retaining and attracting well-trained colleagues, but also the programs designed to assist their continuous professional development.

Even if some employees choose to continue their activity in other organizations, 95% of the respondents interviewed via "exit interviews" believe that Raiffeisen Bank is a good place to work and an excellency benchmark in their professional portfolio.

For our talents and top performers (1,185 employees), together with their managers, we put together individual development plans, covering 833 of them in 2023. The position of their salaries compared to the midpoint of the salary market for this segment of employees is 105%, compared to 93% for the entire organization. In terms of staff turnover, in this segment we recorded only 2.3% (approx. 30 employees).

In the area of benefits, we wanted each colleague to be able to choose the benefits package according to their needs, while also being aware of the investment. That is why we have implemented a flexible and transparent system that allows employees to make their own choices regarding the content of the benefits package offered by the Bank: medical subscriptions, meal vouchers, Pension Pillar III, holiday and cultural vouchers, other vouchers, courses and development programs, sports and more. The flexible benefits system was highly appreciated among employees, the level of satisfaction for this initiative being 4 out of 5.

The employees' choices were in the direction of long-term well-being. They invested more in Pillar III pension, increasing their own contribution by 8%, while 57% of them chose to purchase a medical subscription that is more complex than the standard one offered by the Bank.

We have built an environment of recognition of merits and sustained performance: colleagues in the Retail Network with a constant performance throughout the year received on average approximately 2.01 more salaries, in addition to the standard remuneration. Thus, their salary package reached 15 salaries/year plus benefits, including the 13th salary.

Recruitment system

In 2023, in the context of the continuation of the digitization trend, we implemented an OCR-ization tool (optical character recognition technology that transforms images with text into editable text) that streamlines the pre-boarding process of future employees, offering the possibility of automatic reading of employment documents and populating them with information in HRIS (Resource Information System Humans). This new functionality improves the recruitment process and makes the employee experience smoother and more efficient, while also reducing manual input within the HR team.

Training

Employee training and development is one of the strategic directions of People, Culture and Organziation Tribe, through which Raiffeisen Bank aims to contribute directly to the individual performance of employees, the team and, implicitly, to the performance of the organization.

During 2023, 4,923 colleagues participated in at least one professional training course, including eLearning courses, the average number of training days per employee being 5.93.

In 2023, employee training was done both online, through webinars, and in physical format, through courses organized in the class, delivered by external suppliers and the Bank's internal trainers. We ran development programs derived from the organization's strategy and aligned to the organizational culture. They aimed at strengthening the functional and leadership skills of the employees, as well as increasing their level of engagement. The programs were addressed to all employees in the organization – both in the business segments and in the support areas –, in order to increase the professional skills of the entire Raiffeisen Bank team.

The learning and development channels and tools we have made available to employees are varied: from technical courses and transversal skills development programs to certifications, conferences or workshops. In the development and delivery of the programs we aimed to support and facilitate the process of learning and educating employees, offering quality content and approaching modern methods. We continued to optimize teaching methods and supporting technologies: experiential learning, interactive platforms and gamification techniques.

An important resource for development and continuous learning is the Hive platform. The content of the two already existing categories, the Digital Academy and the Mortgage Academy, has been updated and enriched with new materials, with a focus on diversifying content dedicated to training and improving the skills level, for the most appropriate counseling of our clients.

The Digital Academy is aimed at collegues in agencies, who have relevant content about products and services available through digital channels. Thus, they can best guide customers in accessing and using them, facilitating the transition to digital banking. A number of 1,558 colleagues (active in December 2023) have accessed and completed the modules available within this program.

The Mortgage Academy is also addressed to colleagues in agencies and includes information to help them understand credit products and advise customers in accessing these products. A number of 845 (active in December) colleagues benefited from this program in 2023.

As for the Retail Network, the Raiffeisen School training program continued in online and physical format. The three modules of the program target both newly hired and experienced colleagues. They include introductory courses in the company's activity, understanding of products, operations, credit and customer relations. They involve the use of multiple learning methods, adapted to the current business context and in step with new trends and technologies. The course curriculum addressed to colleagues in the agency network is configured according to the specifics of each role in the agency. In 2023, 308 seminars were organized under this program, attended by 670 colleagues.

In 2023, for employees in the central administration, we continued the professional and leadership skills development programs. The Leadership Growth Center program, attended by 121 colleagues, is addressed to managers, with the aim of supporting them in developing a set of critical skills in this role:

- internal negotiation
- conflict management
- communication and empathy
- performance assessment and goal setting

In 2023, we also continued the leadership program called Leadershift, addressed to all managers, both new and existing ones, who have not previously attended a leadership module. The program provides managers with the right tools to support, from this role, the development of the people they work with and the teams they lead.

Fun@Work

The Fun@Work program was implemented in 2023 and is about sharing special experiences with the team, moments that remain imprinted in our memory, charged with positive energy. Happiness Ambassadors colleagues, with dedication and imagination, bring joy and enthusiasm to our teams throughout the country. Their commitment and contribution to creating a mutually supportive, collaborative and encouraging work environment is truly exceptional. The initiatives of the Fun@Work project bring us closer to each other, help us build relationships of trust and support, and enhance a friendly atmosphere.

Health and safety

Our Occupational Health and Safety system is a priority for us, in order to ensure a safe and healthy working environment for our employees. To this end, the automation of the training and testing process and the electronic signing of training sheets through the OSH Platform is an effective way to ensure that all employees receive the necessary training in this area and that this information is kept and accessed in a safe and user-friendly manner. At the same time, the use of technology to automate processes is also beneficial in terms of efficiency and time saving.

The fact that the employee training rate is 100% is a sign that this strategy is working and that all employees are well trained and aware of the risks and security measures required in their work. Also, the fact that all employees benefit from occupational health checks at major providers of medical services in Romania shows that our company places great importance to the health and well-being of its employees. The integration of first aid courses into the training program also has a positive impact on the productivity and efficiency of our company. Thus, employees trained in this field can quickly and efficiently respond in emergency situations. At the same time, the defensive driving courses organized for our employees help reduce traffic accidents and costs related to repairs and insurance.

Overall, these measures lead to a reduction in workplace risks and accidents, as well as to an improvement in employess health and well-being.

Diversity and inclusion

Diversity management increases the opportunities each employee has to develop personal potential and contribution to overall performance. In support of this reality, in 2023 we assessed the organization's level of diversity, as well as the expectations regarding measures dedicated to increasing inclusion, through a dedicated survey, to reflect the valuable information received in the diversity management policy and strategy. The high response rate confirmed the importance of addressing the existing diversity within the organization.

Risk management

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

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

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

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

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

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

The Bank is in the process of developing and implementing the tools for the identification, measurement and management of the ESG risk – environmental, social & governance risk.

Credit risk

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

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

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

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

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

Market risk

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

Liquidity Risk

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

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

Operational risks

Staring with 2010, January 1st, Raiffeisen Bank determines and reports the capital requirement for operational risk, using the standard approach based on the National Bank of Romania's approval from November 2009.

This approval was based on the operational risk management framework developed throughout the Bank using the three lines of defense model and the advanced instruments, such as: operational risk incidents database, operational risk indicators, risk scenarios, risk assessment matrix. Operational risk management framework is continuously improved, being aligned with the operational risk management framework implemented at the Group level. The Group received ECB approval for using the Advance Measurement Approach.

Reputational risk

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

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

Tools for assessing reputational risk:

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

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

Segments' Report

READY FOR BUSINESS 1:1

When there are two, the power multiplies. The same goes for business. That's why we stand by every one of our more than 99,000 SME clients, for whom we have streamlined the credit flow and the relationship with the Bank, provided advice on accessing European funds, and designed diversified financing solutions.

Corporate Banking

In 2023, the Corporate Banking Division pursued its strategy to ensure the long-term viability of the partnership with ecosystems formed around key account customers. The mature industry expertise developed over a long period of activity in the market helped this effort by bringing significant advantages to the corporate customers.

75%
was the increase in the ESG eligible assets. The ESG infrastructure experienced a significant evolution in 2023.

Becoming an important part of the Division's strategy, the ESG infrastructure experienced in 2023 a significant evolution materialized in the app. 75% increase in the ESG eligible assets, leading to app. 20% of sustainable coverage level of the portfolio.

Segments' performance

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

On Mid Market & Public Sector segment, the Bank continued the active engagement in growing and sustaining the clients through conferences, workshops and best practice sharing on subjects vital for the development of the companies (e.g., processes, business development, research, sustainability, etc.). Evolving from the experiences gained in the previous years and adapting to the new digital context, The Raiffeisen Catalizator platform continued in 2023 and received high appreciation from our partners, who participated in large numbers.

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

2023 was a good year also in terms of syndicated market, with transactions in different economic sectors. Benefiting from Group guidance and investing in important training programs, the Bank managed to act in various different roles in the transactions.

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

Transactional banking solutions continued the optimization efforts, with the scope of migrating to electronic channels, reaching a 98% level of digital transactions. In 2023, significant steps were taken to speed up the migration of further services and processes on digital platforms, sustained also by the sales force efforts to promote secure, fast and reliable electronic means of communication and processing.

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

Retail Banking

2023 was characterized by the further development of Raiffeisen Bank's product and service offering, building on our focus on making customers' life easier with the digital services we provide and the constant optimization of our mobile banking app, Smart Mobile.

Private Individuals (PI) Customers

Tracking the comfort, needs and constantly changing priorities of the customers, we focused our efforts on developing and offering quality online services and their permanent improvement. Of course, the online services were completed by an optimal mix of channels with human interaction, each having specific characteristics and benefits. We particularly wanted to emphasize the remote relationship model and offer our clients a 360-degree counseling experience.

In 2023, the activity in the Bank's agency network focused primarily on interactions with added value for customers. The majority of the activities within the units was aimed either at supporting clients in the use of the digital solutions made available by the Bank in the area of transactional services or advising clients on the range of financial lending and saving solutions offered by the Bank. Cash operations were available through the 24/7 network of ATMs and multifunctional machines, enriched by alternative solutions dedicated to legal entities, for the deposit of large amounts of cash ("cash box"), as well as the maintenance of cashiers dedicated exclusively to the collection of installments to foreign currency loans from individuals. Payment operations took place, similar to previous years, through the Bank's digital applications.

Therefore, the agencies' staff is increasingly dedicated to providing the best indications related to the use of products and services owned by clients, personalized advice regarding credit and savings solutions, but also to present the information related to the investment products available to them.

Banking 1:1, the Smart Finance tablet-based model of counseling and talking with customers, marked the entire year of 2023 in terms of interaction between the Bank and customers, providing a simpler, more user-friendly experience for over 1 million customers.

In particular, 2023 marked the launch and consolidation of Banking 1:1, the personalized program of advice and discussion with clients based on the Smart Finance tablet. Through this technology, we have provided a simple and accessible experience to more than 1 million customers, who have appreciated the increased transparency and support offered to them in making personal financial decisions. This interaction model has led to the creation of over 45,000 financial plans (in just 6 months), more than 100,000 investment plans, life insurance with a savings component and voluntary pensions, including the first end-to-end digital flow for accessing an insurance with the help of the tablet from the agencies.

Also in 2023, we always had the customers and their needs in mind – the way we make the needed banking products and services more accessible. Thus, in order to meet the clients' demands and adapt to their preferences, during the year the hybrid way of dealing with some of the Bank's clients was extended, thus allowing, beyond the usual option of face-to-face interaction, the alternative of interaction at distance, the latter being facilitated by the Raiconnect platform. In this way, we managed to allow our customers to access a wider range of products (in addition to those available via digital flow) – without the need to go to the bank.

Daily banking digital transformation

The mobile banking application, Smart Mobile, dedicated to individual customers, was enriched in 2023 with more features, covering almost all daily banking operations, from opening a relationship with the Bank, making a payment and other simple account-related actions to more sophisticated operations.

Among the existing operations that customers can easily access to in the Smart Mobile app, the following can be listed:

- Viewing balance and transaction history, without trips to the Bank or calls for various clarifications;
- Opening accounts, deposits, in line with personal needs and plans;
- Making instant payments to account holders at banks participating in the Instant Payments service;
- Paying utility bills, opening a direct debit contract for recurring utility payments as needed;
- The possibility to save effortlessly with SavingBox (with each debit card payment, an amount is automatically transferred from the current account to the savings account as chosen by the customer);
- Receiving push notifications for account withdrawals or card payments for better control;
- Blocking/issuing cards;
- Exchange currency between own accounts Lei-Euro, Euro-Lei at BNR exchange rate, through Smart Hour, on working days – from Monday to Friday, from 10 to 11 – up to 1,500 euro per day;
- Updating personal data whenever changes occur;
- Obtaining a personal loan in a few simple steps when they need it, 100% online.

Some of the 2023 launches in Smart Mobile that had a positive impact on customer satisfaction are:
- Card management: changing transaction limits, viewing the details printed on the debit card (such as card number, expiry date, the code printed on the back of the card);
- The possibility of early repayment for some credits;
- The flow of the intermediation contract for fund units issued by investment funds managed by Raiffeisen Asset Management S.A.I. ("RAM").

The growth of the portfolio of active digital customers, the very good ratings in the app store, along with the prompt user feedback and reactions are a confirmation of the relevance of the list of features available in Smart Mobile and the alignment with the needs and wishes of the customers.

Approx.
1.4 mn
customers were included in our digital customer portfolio at the end of 2023.

At the end of December 2023 our digital portfolio included around 1,400,000 customers.

Customers' first interaction with the Bank – the process by which they become the Bank's customers –, was also one of Raiffeisen Bank's priorities in 2023 (and still is), in order to make their experience as easy and pleasant as possible. The Bank offers customers, starting from 2021, the opportunity to open an account at Raiffeisen Bank directly from their phone, via the mobile banking application, Smart Mobile. This is a process chosen by more and more people: to become customers from the comfort of their homes, thus saving them from the need to go to the bank. The current account can be opened by customers in about 15 minutes, in 5 simple steps, and they will benefit from the Zero Simple current account package. The current account package has zero costs and includes a current account in lei, an attached debit card, the mobile banking application, a savings account to which they have access at any time. An unlimited number of free of charge withdrawals in lei from any ATM of any bank in Romania are included in the package. Customers can take advantage from all these benefits for free by making a simple monthly electronic payment – either by card, mobile phone or from the Smart Mobile application. The package can be used immediately, and the included debit card is sent to the customer's address by courier. In addition, with the Smart Market loyalty application (for cashback, discounts at merchants, vouchers), customers can enjoy various benefits and rewards when paying by card and all sorts of discounts at merchants. Also, they can benefit of foreign exchange at NBR rate in the mobile banking application, in the dedicated time interval, Smart Hour.

If a few years ago becoming a bank's client and opening a current account package remotely were just nice ideas, now this is a reality and has almost become a standard. Even though we refer to "remote" operations , Raiffeisen Bank believes that digitization in banking actually brings the Bank even closer to customers and helps meet their needs to benefit from quality banking services, simply and quickly, even from the comfort of their homes.

4 times
more new customers went through the end-to-end enrollment flow exclusively in mobile banking in 2023.

This digital enrollment flow is increasingly appreciated by the Bank's customers. The improvements and simplifications that Raiffeisen Bank made during 2023 attracted by the end of the year more than 4 times new customers who went through the end-to-end enrollment flow exclusively in the mobile banking application, compared to 2022. Raiffeisen Bank's efforts towards simplification and digitization were also reflected in customer satisfaction indicators with the Bank. Thus, their level of satisfaction regarding the digital flow of remote opening of the relationship with Raiffeisen Bank exceeded the 2022 level by about 10%, approaching the 80-point NPS.

Last but not the least, in order to complete the digital solutions portfolio offered to our customers, in 2022 we launched the first loyalty ecosystem in Raiffeisen Bank Romania: Smart Market. It brings together all our customer segments (PI, SMEs, Corporate) through an innovative mobile app, in order to increase their satisfaction and retention rate. The app offers its digital customers personalized campaigns and all types of rewards: cashback, discount vouchers from partner merchants, loyalty points, prizes or offers on Bank products. In 2023, the app surpassed the 600,000 users threshold enrolled in the app and over 120 partner merchants providing various offers on their products and services and significant discounts for app customers.

On the other hand, we sold over 21,000 banking products through the app by the end of the year, serving this way its purpose of becoming a new sales channel for Raiffeisen Bank.

Last year we launched a new section in the app, "Environmental responsibility", aiming to offer customers both a tool that estimates the carbon dioxide emissions based on transactions made through their Raiffeisen Bank account/card, as well as solutions to reduce their future impact on environment. The carbon footprint calculation solution was developed by Finshape and audited by Deloitte.

Sustainable options in the section include the option to access an alternative transport offer or to choose a Green Mortgage granted by Raiffeisen Bank for class A energy efficient buildings. Customers also had the option to convert their loyalty points in young trees that were planted by Raiffeisen Bank. From the points donated by customers, as well as donations from Raiffeisen Bank, we planted last year the first 5,000 saplings, together with Children's Forest Association. In just 5 months from launching this new section, over 4,200 sustainable offers were activated and 72 Green Mortgages were accessed.

In 2023, the app registered a +4.8 rating in App Store and Play Store as a result of our customers' recognition, and won several awards as a sign of recognition from local and international experts:
- 2nd place – Best Loyalty in a Financial Product @ International Loyalty Awards (London, June 2023)
- 2nd place – Best Use of Technology @ International Loyalty Awards (London, June 2023)
- 1st place – Best Customer Loyalty Program @ Global Retail Banking Innovation Awards (Singapore, November 2023)
- Excellence Award for Sustainable Technology @ ESG Awards, Romanian ESG Summit (Bucharest, November 2023)
- Best Banking Loyalty & Reward App @ Gala "Business Arena Awards for Excellence" (Bucharest, November 2023).

Encouraging savings and investment

In 2023, we had daily discussions with our customers about Financial Planning, about their needs and requests, and about the steps to be taken in order to build effective Financial Plans for themselves. Alongside our consultants, we had along the way a well-trusted partner: the Smart Finance interactive tablet.

2023 brought a new confirmation that our products are highly appreciated by our customers:

- Growth in 2023 vs 2022 of over 130% in sales of optional pensions, investment plans and life insurance with savings component. Over 100,000 such products have been opened by our customers, setting a new benchmark.
- The majority of Romanians who joined a voluntary pension fund last year chose the Raiffeisen Acumulare Pension Fund, as shown by the official data from December 2023 and the data provided by S.A.I. Raiffeisen Asset Management S.A.
- Diversification of investments was an important part of this development. Year-end assets managed by Raiffeisen Asset Management increased by over 25%, exceeding the value of 4 billion lei. At the end of the previous year, the Group's asset management company was second in the specialty ranking in Romania, with a market share of 20.1% (as per net assets under management, on 31.12.2023, according to AAF). The assets of funds with a share component increased by 32%, compared to the previous year.
- In terms of savings in 2023, our retail customers' funds increased by approximately 10%. The market context helped us to meet our customers' needs with a varied range of products that offer attractive interest rates, both in lei and in foreign currency.

Also in the foreground were:

- Digitization. We continued the digitization and automation of processes, with our customers now having access to new categories of insurance or investment products.
- Product improvement. During the year we added new products to the portfolio and made significant improvements to the existing ones (e.g. expanding life insurance coverage attached to secured credit).
- Longer maturities. Through daily discussions with clients, our advisors have constantly emphasized the importance of long-term protection and savings. We have had a positive response from our customers, which is also reflected in the higher proportion of products with longer maturities.
- Simplicity. We want to be as close as possible to our customers and make their experience of interacting with the Bank as simple as possible. That's why for Financial Planning, both the details of putting together a Financial Plan and the available solutions are presented in the Smart Finance digital tool in an easy-to-understand and interactive way – the interest in this being confirmed by the more than 100,000 opened products.

Responsible and sustainable credit solutions

In 2023, our lending strategy was built on the idea of continuous growth, reaching the goal of becoming the most recommended bank and offering our customers best lending products tailored to their needs. Throughout 2023, Raiffeisen Bank was focused on providing the best financial consultancy with Banking 1:1, together with unsecured and guaranteed lending products with fixed interest rate.

We continued to present ourselves as a reliable partner for more than 200,000 of our customers whom we supported in accomplishing their projects with flexible and competitive lending solutions. Our customers also benefit from life insurance package both for unsecured and secured personal loans to support them in situations that are subject of uncertainty. Furthermore, our offer also included "Holiday payment – 3 installments", which is granted free of charge at the customers' choice.

Raiffeisen Bank registered a slight slowdown of lending in secured products, in line with the uncertain economic context and the slight growth of market rates. In 2023, we maintained the Green Mortgage at an annual average of 40% of loans in this category.

Raiffeisen Bank focused in 2023 on an enhanced personalized experience for our customers, with Banking 1:1 consultancy investing in technological solutions that created better customer experience, offering our products and services via the tablet, a simple and user-friendly tool.

Additionally, in line with the market trend and banks' strategy to focus on digitization, developments in our digital environment have contributed to an increase in Smart Mobile customers accessing a 100% digital unsecured lending product and also used loan management facilities for their outstanding loans.

Top position on the credit card market

Raiffeisen Bank continues to be amongst the leaders of the Romanian credit card market, with over 500 interest-free rates partners across the country. Rates are available on a wide range of products and services, the most sought-after retailers being in the IT&C, electronics and appliances, construction and interior design, furniture, gyms, jewellery and travel sectors.
In terms of features, we launched Google Pay in April 2023, and to date we already have over 100,000 users, with a quarterly increase in transaction volumes of 60%.

Raiffeisen Bank customers can make payments with their phone using Google Pay on Android, Apple Pay on iOS, and Garmin Pay on Garmin watches.

Also during 2023, in line with customer feedback, we launched new card features in the Smart Mobile app: customers can quickly find out debit card details (card series, expiry date, CVV) and change transaction and withdrawal limits. This contributes to an enhanced digital experience, increased security and control over money.

Building the future of banking together with our customers

In accordance with our vision of becoming the preferred financial ecosystem in Romania, the year 2023 was characterized by stability in NPS and satisfaction indicators across all customer segments. This reflects our continuous effort to understand customers' needs and provide personalized products and services that are tailored to their needs and expectations.

Through our strategic partnership with a top provider, we continued to develop our PULS Customer Experience platform, which offers in real-time a centralized view of customer opinions in our portfolio. This provides a solid foundation for improving the quality of our products and services, based on customer evaluations and feedback, with the primary goal of enhancing the overall customer experience with our Bank. In 2023, we sent over 2.6 million survey invitations and collected over 200,000 feedbacks from customers of network agencies, personal bankers, direct sales agents, and customers who interacted with our Bank through digital channels, call center, or complaints management department.

At the same time, we continued to offer training and development programs to continuously improve employees' customer experience skills, ensuring that customers have a professional interaction with front office employees and easier access to our products and services. This contributes to the creation of long-term relationships based on trust, ultimately consolidating our position as a customer-centric organization.

In 2023, the number of complaints recorded by Raiffeisen Bank decreased by 4.5% compared to 2022. Out of the total number of complaints, approximately 65% were disputed card transactions. This year, Raiffeisen Bank resolved 63 conciliation cases through the Alternative Banking Dispute Resolution Center, resulting in a total benefit of approximately EUR 240,000 for customers.

Raiffeisen Private Banking & Premium Invest

Raiffeisen Private Banking remains a leader in terms of professionalism, innovation and offering financial solutions to elite clients in Romania. In 2023, in a financial environment affected by high inflation and geopolitical volatility in the region, we focused our efforts on improving communication with our clients by organizing interactive events on investment topics, streamlining digital flows and offering access to new products.

We continued to increase the number of clients who benefit from the highest standards in Private Banking, and the trust received from our clients led to the increase of the total assets under management of the Private Banking segment by more than EUR 140 million euros compared to the end of 2022.

The Raiffeisen Private Banking department expanded its services at the beginning of 2023 by taking over the Premium Invest clients, with assets under management within the Raiffeisen Romania Group of at least EUR 60,000 equivalent. Thus, we expanded the number of Raiffeisen Bank clients who benefit from the services of a dedicated relationship manager and an expanded investment universe, which led to an increase in the total assets under management of the Premium Invest segment by approximately EUR 100 million, compared to the end of the previous year.

Smart Market
attracted over 600 thousand customers who enrolled in the app and over 120 merchant partners, who provide various offers on their products and services with significant discounts for app customers.

In order to better respond to the customers' need to invest their available financial resources in the short term, in April 2023 we added to our offer a new monetary fund – Euro Flexi. From its launch until the end of 2023, the fund captured the interest of more than 600 Private Banking and Premium Invest investors, who accumulated gross subscriptions of over EUR 80 million. Thus, clients benefited from the context of high interest rates, which allowed them to obtain attractive yields even in the short term.

At the same time, we enhanced the investment journey of Private Banking clients by introducing an extended range of financial instruments focused on sustainability: investment funds managed by the investment fund management company of the Raiffeisen Group in Vienna.

We stayed close to our clients throughout 2023, offering them access to the latest trends and developments in the financial market, through interactive webinars, monthly newsletters and through events held in Bucharest and in the country. We also launched "Business Club Events" – the socialization and information platform developed internally and dedicated exclusively to Private Banking and Premium Invest clients. In collaboration with Raiffeisen Group specialists or in partnership with representatives of the key industries of the Romanian economy, we organized 8 physical events under this concept umbrella. More than 500 Private Banking and Premium Invest clients participated in our events in 2023, being better informed and prepared to navigate the current market context.

Small and Medium-sized Enterprises (SME)

The SME client portfolio is represented by over 99,000 companies, including Liberal Professions clients, according to their membership in the various associations and professional orders.

In 2023, the customers’ business relationship with the Bank changed, moving more and more towards the digital and remote trading area. This is also visible in the fact that approximately 85% of SME customers actively use the New Raiffeisen Online IMM and the Smart Business mobile application. Consequently, our focus was on improving the performance and stability of digital applications, to increase their safety and accessibility, in line with current customer expectations and needs.

Among the new functionalities developed in 2023 in the Smart Business application we may count the opening of debit cards directly from the application, along with the possibility for users to view the PIN code, redeem deposits, implement instant payments, the opening and editing Direct Debit mandates, and multiple payments features through payment files to suppliers or treasury. At the same time, we responded promptly to the improvement suggestions received from users in order to provide a better user experience and increase their satisfaction. In 2024, our target is to create an integrated digital platform, through which SME customers can access most of the digital services and products available in the Bank's offer.

Complementing our customers’ digital experience, we continued in 2023 our partnership with the international technology and innovation company QUALITANCE, and extended the benefits of the SME Digital Credit Platform to an increasing number of existing customers. Functionalities were added to increase the level of automation, transparency, and efficiency, allowing new categories of customers to go through the digital flow and get the money in the account in about 15 minutes. We accelerated the efforts to migrate the application to the Cloud, thus ensuring better stability and speed of the platform.

We continue to support our best customers with dedication by offering them online access to financing, without visits to branches, without physical documents, in maximum safety conditions. In 2023, over 1,500 SME customers enjoyed a simple and fast credit flow, 100% online, with granted volumes representing approx. 15% of the total loans granted in the SME segment, with turnover up to EUR 1 million.

In terms of the total outstanding volumes granted last year to SMEs, we recorded a 7% increase compared to 2022, out of which 40% were governmental programs. The financing granted through the IMM INVEST Program in 2023 sums over 1,400 facilities granted to over 1,300 clients.

In 2023, Raiffeisen Bank continued its partnership with the European Investment Fund (EIF) by signing 3 new guarantee agreements that allow SMEs access to loans worth over EUR 600 million in the upcoming years. Under the new schemes, a record share of the guarantee ceiling of €400 million was allocated to Raiffeisen Bank, allowing SMEs acces to loans worth over 600 million euro in the next 2 years.

Bridge and co-financing loans for the absorption of European funds represents an opportunity for SME customers to develop their business and become more competitive and also an area of interest for the bank. In 2023, we offered new and existing SME customers access to non-reimbursable European funds through collaboration with the Regional Development Agencies (ADR) and the Rural Investment Financing Agency (AFIR) through solutions for the co-financing of eligible projects. The promising results recorded at the end of 2023 encourage us to continue our promotion through social media campaigns to attract more clients with affordable projects.

Moreover, to provide our SME clients with an integrated service in the financing area for accessing European funds, we concluded 2 partnerships with specialized consulting companies in this field, Goodwill Consulting and Sly Management, thus facilitating access to financing and a better management of projects developed by our clients.

In the operational area, 2023 was a remarkable year for business card acceptance solutions (POS, RaiPOS, Ecommerce). Over 17,000 new SME merchants used the acceptance solutions and registered revenue volumes of over 4.9 billion lei, representing an increase of over 45% compared to the previous year. The number of transactions performed at the Bank's terminals increased by 25%, thus marking the largest increases for the business card acceptance area.

Business cards

saw record usage in 2023. More than 17,000 new SME merchants used their acceptance solutions (POS, RaiPOS, Ecommerce) and saw more than RON 4.9 billion in cash volumes, representing an increase of more than 45% compared to the previous year. The number of transactions carried out at the Bank's terminals also increased by 25%, marking the highest increases for the business card acceptance area.

In 2024 we focus on improving the installation and maintenance process for physical POS, additional functionalities for the RaiPOS business card acceptance application and speed in implementation flows.

The simplification and digital transformation was also supported in 2023 by the launch of a new simple payment solution for POS, unattended type, which allows payments at any time of the day and anywhere. Developed in partnership with Symphopay, the new payment solution is available in over 880 easybox lockers of the courier company Sameday and on terminals located in Mega Mall parking lots in Bucharest and City Park Mall in Constanța and strengthens our position as a financial institution adapted to market dynamics.

To cover cash withdrawal and deposit needs, SME customers have various solutions at their disposal: over 1,150 multifunctional machines ("MFM") that allow multiple transactions, including cash deposits and withdrawals, bill payment, bank statements, currency exchange. Customers holding Visa Business cards issued by Raiffeisen Bank enjoy cash withdrawals from ATM/MFM of any bank in Romania with the same costs as withdrawals from Raiffeisen Bank machines. A solution appreciated by SME customers using cash is the multicurrency deposit equipment SMART CASHBOX, currently 70, installed in various national locations, with the network being constantly expanding.

In the transactional area, we continue to enrich the SME Current Account Packages launched at the end of 2021. In 2023, SME operational packages were complemented by “unlimited” extra-options to meet the flexibility and adaptability requirements of customers with expanding businesses.

In 2023, under the new communication concept "Banking 1:1", we launched a new offer dedicated to the SME Professional Medical customer segment, which combines banking and non-banking products and services dedicated to both the company and the individual, in order to simplify their relationship with the Bank.

We participated in 4 medical congresses in Cluj, Craiova, Timișoara and Arad, to increase the portfolio of SME clients operating in the medical field. To support their needs for professional growth, mobility and financial security, we have included in our offer Pension, Insurance, Leasing and non-banking products as telemedicine services offered through the partnership with Hilio signed in 2023. This collaboration represents a significant milestone in the digitalization of healthcare services and will bring significant benefits for both medical practitioners and patients.

In 2024, we aim to attract medical entrepreneurs from the market users of digital products – young doctors at the beginning of the career and well established medical clinics.

Factory by Raiffeisen is a permanent investment in the Romanian entrepreneurship and remains a flagship initiative aimed at supporting the development of innovation-based startups, contributing to building a strong ecosystem for startups in Romania. The factory by Raiffeisen Bank program, launched six years ago to support young entrepreneurs, reached in 2023 over 430 financed businesses, the total value of financing being approximately 24 million euros.

In the educational area, we maintained our support for young farmers by supporting the fourth edition of the Management and Business Program in agriculture, and we continued the program dedicated to farmers who want to make the transition to sustainable agriculture – GreenFields Academy. In total, more than 100 farmers attended the theoretical and practical sessions of both programs in 2023.

In 2024, we continue to regularly follow in the PULS platform the opinions of our customers that help us better understand their needs and provide them with the expected financial expertise, suitable for each business. Through online marketing campaigns and coherent presence in social media we want to increase our visibility so that we become the first option as a banking partner for SME clients. The development of the Smart Business digital application, the opening of the fully online current account package for single-shareholder companies, along with the development of financial planning solutions will be the priorities of 2024. Our promise to SME customers is that, together with us, consulting dialogues will gain more and more consistency and depth, both through digital applications and through our frontline people, contributing to grow their businesses.

Treasury and Capital Markets

2023 was a less volatile year, in which interest rates stabilized and fluctuated around the policy rate. Romania has once again become an interesting country for portfolio investors, their interest reaching the highest levels in recent history, being influenced by the attractive level of interest rates and the lower volatility of government bond prices compared to that recorded by our neighbors. The monetary policy rate remained at 7%. The EUR/RON rate represented the pillar of stability, remaining below 4.98.

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

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

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

Economic and equity research

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

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

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

Financial Institutions & GSS

Throughout 2023, the Financial Institutions & Group Securities Service Directorate (FI&GSS) continued its efforts and initiatives derived as part of the undertaken goal, to be the best business partner for its clients: commercial banks, investment banks, insurance companies, leasing companies (having a financial group as the main shareholder), investment funds, pension funds, brokerage companies, financing companies (mortgage or consumer finance), supranationals, Payment Service Providers/ Money Service Businesses.

In this context, the communication and support – granted as advisory services, both on topics related to macroeconomic evolution and expectations for the current year, the impact of the business environment on clients' growth, as well as aspects related to compliance framework or operational issues – have constituted our main priorities. The year 2023 also marked an acceleration of efforts to migrate customers to digital channels, as well as the streamlining of internal processes, both of which had a visible effect in increasing customer satisfaction with the products and services offered by the Bank. A growing attention was paid to the digitisation of the customer insight process.

In 2023, the main products used by our customers were: custody and fund administration (depository), term deposits, payments, trade finance, FX business, lending facilities. Lending to non-bank financial institutions significantly increased in 2023. The main objective for this period was the consolidation of the existing portfolio and support for our customers, as well as new customer acquisition and/or extension of the range of products offered. Given the excellent quality of our products and attached services, combined with Raiffeisen Bank's strong reputation on the local market, the number of banks that held settlement accounts with us, both in local and foreign currency, enlarged as of end-2023.

The financial results

for 2023 were above all expectations reported for all products offered to Financial Institutions clients, validating the confidence of our clients in the partnership with the Bank. The final profitability result was significantly positive (almost double compared to the previous year).

In terms of financial results for 2023, these were above all expectations reported for all products offered to Financial Institutions clients, validating the confidence of our clients in the partnership with the Bank. The final profitability result was significantly positive (almost double compared to the previous year), the main contributing factors to this being the increase in the volume of assets, the increase in the transactional volume on the payment and foreign exchange side, market interest rates continuously increasing during the year 2023.

Securities services – GSS, custody and depositary

The Securities Services – GSS Department is the business line for custody and depository services for investment and pension funds. The department is also responsible for the special settlement activity at the Central Depository, for the paying agent services offered to the bond issuers, as well as for the external funds distribution in Romania.

The mission of the Securities Services Department is to make Raiffeisen Bank the preferred partner for investing in financial instruments. Our strategy includes the development of the infrastructure allowing our clients to invest and maintain investments in local and foreign finzancial instruments through extended digital channels.

During 2023, the department extended the range of activities for which is responsible, in addition to custody and depositary services, the external funds distribution activity. Subscriptions in fund shares issued by the Raiffeisen Capital Management Vienna funds were recorded starting September 2023.

EUR 10.33 billion

at the end of 2023 was the value of the assets for which Raiffeisen Bank performed custody and depositary services, approximately 67% higher than the value at the end of the previous year.

The value of the assets for which Raiffeisen Bank performs custody and depositary services was EUR 10.33 billion at the end of 2023, approximately 67% higher than the value at the end of the previous year. The segments with significant increases in the value of assets held in custody at Raiffeisen Bank were Financial Institutions, with an increase of approximately 71% compared to the end of 2022, and Retail, with an increase of 11% from the volumes held in custody at the end of the previous year.

At the end of 2023, 52.83% of the total assets held or administered for custody and depository clients was represented by stocks and listed bonds (EUR 5.46 billion); 41.6% (EUR 4.63 billion) of the client's assets were represented by government securities, while the rest of clients' assets consisted of holdings in fund shares of local or external funds, money market instruments or unlisted securities.

At the same date, the assets of the investment and pension funds for which the Bank acts as depositary bank amounted to EUR 5.04 billion, 30% increase compared to the end of 2022 value.

Treasury

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

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

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

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

The team ensures this objective by:

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

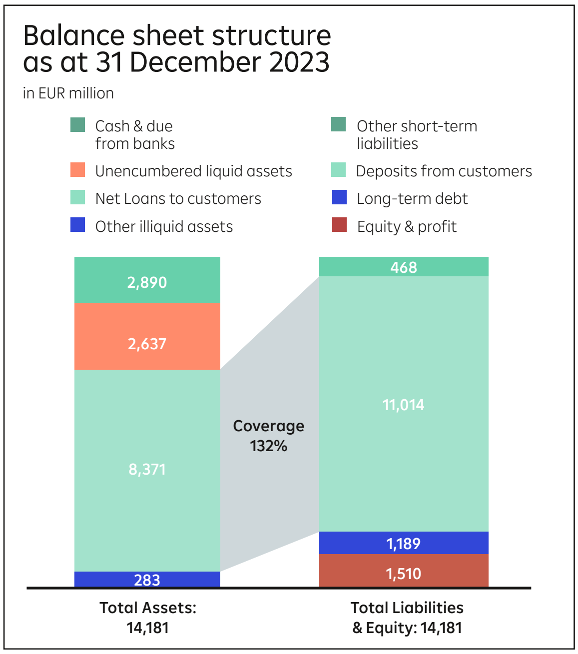
In order to ensure an adequate level of liquidity under stress conditions, the Bank maintains a liquidity reserve comprised of high-quality liquid assets (HQLA), including cash held at the Central Bank and bonds eligible as collateral for Central Bank liquidity facilities. By maintaining this reserve,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

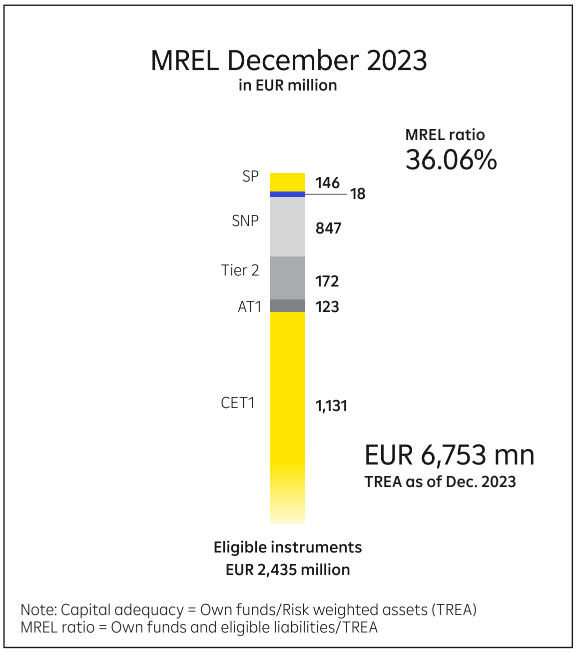
The value of the liquidity buffer

held by the Bank amounted to EUR 4,347 million in December 2023, the corresponding ratio being close to 267%, significantly higher than the regulatory level.

Liquidity Coverage Ratio (LCR), the regulatory standard for stress conditions, aims to ensure sufficient liquid assets to meet stress-free liquidity needs for 30 days. According to regulatory requirements, the Bank has to maintain an LCR level above the minimum threshold of 100%. In the case of Raiffeisen Bank, the value of the liquidity buffer held by the Bank amounted to EUR 4,347 million in December 2023, the corresponding ratio being close to 267%, significantly higher than the regulatory level.

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





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

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

The year 2023 was characterized by a strong liquidity position. The main funding source of the Bank is its strong customer deposit base, which represent 78% of the total liabilities as at 31 December 2023. A significant share of these deposits represents stable funding sources, being mainly financed through retail deposits (78% of total deposits).

Since 2022, the Bank has in place a Sustainability Bond Framework (SBF), that enables the Bank to issue green, social and/or sustainability bonds in order to finance eligible projects that will support Romania's transition towards a sustainable and low carbon economy. The SBF has been positively assessed by the ESG rating agency Sustainalytics in terms of alignment with ICMA's Social, Green and Sustainability Bond Principles and the environmental impact of the eligible projects.

The Bank continued to issue sustainability bonds in 2023 and, in a premiere for the Romanian banking sector, it issued the first sustainability senior non-preferred Eurobonds on the international capital market. The €300 million issue with a fixed coupon of 7% in the first three years and a final maturity of four years attracted a high level of interest from institutional investors, with total subscription orders over €1 billion. The funds raised will be used to finance sustainable projects, in accordance with the eligibility criteria described in the SBF. A minimum of 50% of the funds will be directed towards the financing of social projects – mainly financing of small and medium-sized enterprises in underdeveloped regions at national level and projects aimed at increasing access to essential health, education and infrastructure services. The remainder will be allocated to finance projects supporting the green transition – green buildings, renewable energy projects, energy efficiency, clean transportation and agriculture, pollution prevention and control projects, circular economy, sustainable management of water resources.

An out-standing RON +4.9 billion

was the total volume of the 7 eligible green and sustainability bonds that RBRO had on 31 December 2023.

Through all the bond issuances placed over the past 3 years, the Bank has strengthened its own funds and eligible liabilities position, in line with the requirements set out by the EU Directive BRRD2, transposed into local legislation through law no. 320/2021 amending and supplementing law no. 312/2015 on the recovery and resolution of credit institutions and investment firms, thus creating the premises for a sustainable development of its loan portfolio. As of 31 December 2023, RBRO had outstanding 7 eligible green and sustainability bonds with a total volume of over RON 4.9 billion. Thus, the Bank further strengthened its MREL ratio to over 36%, a level significantly higher than the regulatory requirements applicable on 1 January 2024 (32.48%).

The instruments were initially listed on the Luxembourg Stock Exchange in the LGX – Luxembourg Green Exchange Platform section dedicated exclusively to green and sustainable bonds, and afterwards they were also listed on the regulated spot market of the Bucharest Stock Exchange (except for the last Eurobond issuance, which is listed only on the Luxembourg Stock Exchange).

Raiffeisen Bank continued its successful partnership with the EIB Group in 2023 by signing three new guarantee agreements, through which the Bank will support small and medium-sized enterprises (SMEs) to strengthen their resilience, competitiveness and contribution to the transition to the green economy. The new guarantee schemes will support more than €650 million of loans to SMEs over the next few years under more favorable financing conditions (such as preferential interest rates, lower down payment or longer financing period).

Currently, the Bank has 9 financing and guarantee agreements signed with EIF, and through these programs, the Bank can grant loans to SMEs and Small Mid-Caps on attractive terms, with reduced collateral requirements, for longer tenors, offering support to start-up companies, which usually have limited access to lending. In 2024, the Bank aims to implement a new financial instrument made available under both National Recovery and Resilience Plan and EU Multiannual Financial Framework 2021-2027 in order to support sustainable financing for large corporates.

In 2023, Moody's reaffirmed our Baa1 ratings for deposits and senior unsecured debt with stable outlook, two notches above Romania's sovereign rating. Moody's also upgraded our rating for SNP MREL bonds (senior unsecured debt) by one notch from Baa3 to Baa2, reflecting a strong financial position and demonstrated access to funding through international capital markets.

All this creates the prerequisites for the Bank to continue to be a reliable partner for its customers, supporting them with optimal financial solutions that suit their plans and needs.

Participations

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

S.A.I. Raiffeisen Asset Management S.A.

In 2023, after a complex investment landscape in 2022, financial markets experienced a widespread recovery, both locally and globally.

Raiffeisen Asset Management (RAM) saw a substantial increase in net assets managed, from Lei 3.266 billion in 2022 to Lei 4.1 billion by the end of 2023, marking a growth of over 25%. By the end of 2023, RAM held a market share of 20.1%, securing the second position among local fund administrators (as per data from the Fund Administrators Association – AAF). The number of investors in RAM funds also significantly rose by 48% in 2023, reaching over 54,000 unique investors across the 13 managed funds. This increase in participants was complemented by the good performance of the administered funds, with positive returns.

A significant contribution to this growth came from the 7 recurring investment packages in RON and Euro, named SmartInvest. These, characterized by simplicity and accessibility, generated over 36,000 new packages, a 152% increase from the previous year. SmartInvest plans offer capital accumulation solutions, providing the opportunity for higher returns compared to traditional savings instruments while ensuring effective risk management.

+70 mln €
attracted the newly launched Raiffeisen EURO Flexi fund in just 9 months, from approximately 1,000 investors.

The introduction of new digital channels, both for mobile applications directly accessible to investors and assisted digital channels for tablets in Bank agencies, substantially facilitated customer investment efforts. The efforts also streamlined marketing agents' processes for easy enrolment in the Raiffeisen Accumulation pension fund.

The newly launched Raiffeisen EURO Flexi fund in April 2023 proved to be a real success, attracting over 70 million Euro from approximately 1,000 investors in just 9 months.

The Raiffeisen Accumulation pension fund also demonstrated remarkable performance, achieving an annual return of 16.43% – the second-best year in its 15-year history. Additionally, it gained approximately 38,000 new enrolments, ending the year with over 65,000 participants.

Looking ahead, we will continue our digitalization efforts to enhance investor and potential participant access to our investment and pension solutions. Moreover, we remain committed to introducing new products tailored to customer needs, reflecting the current economic landscape as accurately as possible.

Raiffeisen Leasing IFN S.A.

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

On 31.12.2023, Raiffeisen Leasing IFN S.A. had assets amounting to 288 million Euros and more than 11,000 active contracts. The company consolidated its portfolio, confirming in 2023 the established strategic lines, registering a balanced structure in terms of customer segments and financed assets and an adequate risk management.

In 2023, Raiffeisen Leasing financed by 17% more new volumes compared to the previous year. The company continued to support the customers' economic activity by promoting programs and products adapted to their needs. The Raiffeisen Leasing offer remained in line with the current market conditions. The Raiffeisen Leasing portfolio performed well in a complicated macroeconomic environment (inflation, interest rate volatility, and the nearby military conflict).

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

Raiffeisen Leasing's vision is translated by the slogan "Leasing 1:1", which means consulting, quality interaction, transparency and a sense of responsibility towards customers. Through all its guiding principles and fundamental beliefs, the company aims for a balanced and healthy growth for its clients, sustaining viable businesses, providing easy access to finance, through process efficiency and innovative leasing products.

Aedificium Banca pentru Locuințe S.A. (ABL)

Aedificium Banca pentru Locuinţe S.A. is the first company in Romania promoting the savings-lending (known as Bauspar) system, founded in 2004. The Bauspar system for the housing sector has a profound social role, the main purpose being to encourage long-term savings and improve the housing situation in the country.

Currently, the majority shareholder of ABL is Raiffeisen Bank S.A., which owns 99.99% of the share capital.

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

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

Currently, following the refusal of the relevant ministry to approve the tax amnesty of tax accessories, ABL has challenged in court, the dispute being still unresolved. ABL maintains the decision of no new business, the current activity being focused on the management of the portfolio of savings-credit contracts in the housing field concluded until 2016.

On the 29th of November 2023, the Aedificium Banca pentru Locuințe SA (ABL)' shareholders decided the start of the process to surrender the banking license, followed by a transparent process whereby ABL will fully perform all its duties towards its stakeholders, via a voluntary liquidation process. The shareholders' decision was deposited to the Central Bank for a preliminary approval, a mandatory condition precedent to the start of the voluntary liquidation process. On 28.03.2024, the National Bank of Romania rejected ABL's request to surrender the banking license and the voluntary liquidation. In the course of 2024, ABL will restart the process of surrender the banking license, by further clarifying some elements included in the voluntary liquidation plan.

At the end of 2023, ABL had a share capital of RON 50.2 million and assets amounted to approx. RON 88 million, with a balance sheet decreasing by 18% compared to the end of 2022, mainly following the decrease in the number of active contracts from portfolio.

At the end of 2023, Raiffeisen Bank S.A. owned 33.33% of CIT ONE S.A.'s share capital, and also held equity investments in: Biroul de Credit S.A., Depozitarul Central S.A., Visa Inc. and Societatea de Transfer de Fonduri și Decontări – TransFond S.A.

Consolidated and separate financial statements

PERFORMANCE 1:1

With total assets of more than 70 billion lei, total revenues of 3.7 billion lei, and a profit of 1.7 billion lei, Raiffeisen Bank consolidated its position on the Romanian market in 2023, being at the most favorable moment of its existence.

Statement regarding the responsibility for preparing the consolidated and separate financial statements at 31 December 2023

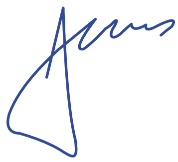
In accordance with article 10, paragraph 1 from republished accounting Law No. 82/1991, the responsibility for the accounting organization and management belongs to the administrator, to the person authorized for credit release or to other person in charge with administration of the entity.

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 2023 and I confirm that:

a) Accounting policies used for preparing the consolidated and separate financial statements as of 31 December 2023 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 2023 fairly reflect the financial position, statement of comprehensive income, statement of changes in equity, statement of cash flow and the related notes for the activity developed in accordance with Order of the National Bank of Romania No. 27/2010 and related amendments, which require that these consolidated and separate financial statements to be prepared in accordance with International Financial Reporting Standards as endorsed by the European Union.

Alina Rus
Vice-president & Chief Financial Officer
Raiffeisen Bank Romania



Translator's explanatory note: the 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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Independent auditor's report

**To the Shareholders of
Raiffeisen Bank S.A.**

Report on the Audit of the financial statements

Opinion

1. We have audited the separate and consolidated financial statements ("financial statements") of Raiffeisen Bank S.A. (the "Bank") and its subsidiaries (collectively "the Group"), with registered office in 246D Calea Floreasca street, District 1, Bucharest, Romania, identified by unique tax registration code RO 361820 which comprise the consolidated and separate statement of financial position as at 31 December 2023, and 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 notes to the financial statements, including material accounting policy information.

2. The financial statements as at 31 December 2023 are identified as follows:

Separate financial statements

Equity	RON thousand 7,468,769
Net profit for the financial year	RON thousand 1,719,490

Consolidated financial statements

Equity	RON thousand 7,628,177
Net profit for the financial year	RON thousand 1,700,767

3. In our opinion:

- The accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as at 31 December 2023, and its separate financial performance and its separate cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU and National Bank of Romania Order no. 27/2010 for the approval of accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions, with subsequent amendments ("Order 27/2010").
- The accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU and Order 27/2010.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (herein after referred to as "Regulation") and Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements (herein after referred to as "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 Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the 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

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

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

As of 31 December 2023, the Group registered impairment allowances in amount of RON 1,227,408 thousand for loans and advances to customers in gross amount of RON 43,040,642 thousand.

The Group exercises significant professional judgement using complex models, extensive data and subjective assumptions over both when and how much to record as impairment for loans.

Because loans and advances to customers form a major portion of the Group's assets, and due to the significance of the management professional judgments applied in classifying loans and advances to customers into various stages stipulated in IFRS 9 and determining the related impairment level, this audit area is considered a key audit matter.

Key areas of judgement included:
› Utilization of historical data for determining risk parameters;
› The interpretation of the requirements to determine impairment under the application of IFRS 9, which is reflected in the expected credit loss model;
› Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customers;
› The identification of exposures with a high level of significant deterioration in credit quality and the industries affected by the restrictions imposed as a result of current economic environment;
› Potential impact on the assumptions used, increases in credit risk and impairments, and future cash flows as a result of the current social and economic conditions;
› Assessment of prospective information.</td><td>Based on our risk assessment and industry knowledge, with the support of our credit risk experts, we have examined the impairment charges for loans receivables and evaluated the methodology applied as well as the key assumptions made by the management according to the description of the key audit matter.

Our procedures included the following elements:
1) Testing of key internal controls. We have checked the adequacy of the key processes and related key controls applied by management to ensure accuracy of impairment calculation, including:
› Key controls identified to ensure quality assurance of the methodological aspects used in the development of professional judgments and the ECL models;
› Key controls related to timely identification of impairment triggers and significant increase in credit risk;
› Key controls to assess the debtors' financial performance and estimate future cash flows.

For the relevant key controls identified in, we have tested the design and operating effectiveness of such controls.

2) Testing the implementation of the ECL computation methodology into the IT computation systems, including:
› Test the general IT controls related to data sources and computations of ECL;
› Assessment on a sample basis of the credit quality and stage allocation;
› Test on a sample basis the ECL computations.

3) Obtaining and analysing the information to support the key assumptions used in:
› Development of the models for the key risk parameters computation (12-month probability of default, lifetime probability of default and loss given default), including procedures on the source data quality;
› Development of the expected credit loss models;
› Development and adequacy of the stage allocation and the criteria used to determine the significant increase in credit risk;
› Development of models to reflect the potential impact of future economic conditions in the ECL computation;
› Assessment of the adequacy of the analysis and adjustments made by the management, on all the aspects pertaining to the estimation of expected credit losses, including prospective information on customers loans portfolio.

We have analysed whether the ECL material information presented in the financial statements is adequate, in accordance with the applicable IFRS requirements.</td></tr>
</table>

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Nature of the area of focus	How our audit addressed the key audit matter
Interest and Fee Income Recognition	
Refer to Note 8 of the financial statements. For the year ended 31 December 2023 the Group interest income represents KRON 3,235,673 the main source being loans and advances to customers. These are the main contributors to the operating income of the Group affecting the Group's profitability. Interest income is accrued over the expected life of the financial instrument using the effective interest rate. Fees that are directly attributable to the financial instrument are part of the effective interest rate and accrued over the expected life of such an instrument and are presented as interest income. Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT systems for their recording, resulted in this matter being identified as a key audit matter.	We have tested the design and operating effectiveness of the key internal controls and focused on: › Data input on interest and directly attributable fees for loans and advances to customers; › Management oversight and control on interest income results, including budget monitoring; › IT controls relating to access rights and change management of relevant automated controls, with the assistance of our IT specialists. We performed also the following procedures with regard to interest revenue recognition: › We evaluated the accounting treatment in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standard. We have focused our testing on challenging the correct classification of fees that are identified as directly attributable to the financial instrument and are part of the effective interest rate; › For a sampling of contracts, we assessed the completeness and accuracy of data used for the calculation of interest income; › We evaluated the mathematical formula used for accruing the relevant income over expected life of the loan; › We have assessed the interest income by building our own expectation on the revenue and compared with the actual results; › Analysing the adequacy of interest income – related disclosures for compliance with the relevant IFRS requirements.

Other information – Administrators' report

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Directors' report on consolidated and separate financial statements ("Administrators' report"), which includes the non-financial information declaration, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements for the year ended 31 December 2023, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Other reporting responsibilities with respect to other information – Administrators' report

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

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

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

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the financial statements prepared as at 31 December 2023, we are required to report if we have identified a material misstatement of this Administrators' report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

Requirements for audits of public interest entities

15. We have been appointed by the General Meeting of Shareholders dated 29 April 2020 to audit the financial statements of Raiffeisen Bank S.A. for the financial year ended 31 December 2023. The uninterrupted total duration of our commitment is three years, covering the financial years ended 31 December 2021 until 31 December 2023.

We confirm that:

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

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

Report on compliance with the Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements ("Law 162/2017"), and Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")

We have undertaken a reasonable assurance engagement on the compliance with Law 162/2017 and Commission Delegated Regulation (EU) 2018/815 applicable to the financial statements included in the annual financial report of Raiffeisen Bank S.A and its subsidiaries ("the Group") as presented in the digital files which contain the unique LEI code 549300RFKNCOX56F8591 (the "Digital Files").

(I) Responsibilities of management and those charged with governance for the Digital Files prepared in compliance with the ESEF

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

- The design, implementation and maintenance of internal control relevant to the application of the ESEF;
- The selection and application of appropriate iXBRL mark-ups;
- Ensuring consistency between the Digital Files and the financial statements to be submitted in accordance with Order 27/2010.

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

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

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

Our firm applies International Standard on Quality Management 1 ("ISQM1"), and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

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

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

Conclusion

In our opinion, the financial statements for the year ended 31 December 2023 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our audit opinion relating to the financial statements of Raiffeisen Bank S.A. for the year ended 31 December 2023 is set out in the Report on the audit of financial statements section above.

Irina Dobre, Audit Partner

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

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

On behalf of:
DELOITTE AUDIT SRL
Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25
The Mark Building, 84-98 and 100-102 Calea Grivitei, 9th Floor,
District 1, Bucharest, Romania
25 March 2024

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

Consolidated and separate statement of comprehensive income

for the year ended 31 December 2023

		GROUP		BANK	
In RON thousand	**Note**	**2023**	**2022**	**2023**	**2022**
Interest income according to effective interest method		3,837,342	2,818,555	3,860,806	2,821,418
Interest income other		270,367	93,560	190,400	41,900
Interest expense		(1,286,780)	(511,762)	(1,272,894)	(507,624)
Net interest income	8	**2,820,929**	**2,400,353**	**2,778,312**	**2,355,694**
Fees and commissions income		903,575	841,482	864,738	797,626
Fees and commissions expense		(301,325)	(282,406)	(296,965)	(277,734)
Net fee and commission income	9	**602,250**	**559,076**	**567,773**	**519,892**
Net trading income	10	377,550	329,197	378,690	330,045
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	26	12,974	(38,335)	11,679	(37,853)
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income		576	(1,657)	–	–
Gains or (-) losses from hedge accounting, net	27	1,877	1,919	1,877	1,919
Other operating income	11	64,540	50,697	91,636	78,343
Operating income		**3,880,696**	**3,301,250**	**3,829,967**	**3,248,040**
Operating expenses	12	(980,581)	(895,923)	(954,614)	(876,614)
Personnel expenses	13	(846,873)	(771,857)	(813,440)	(738,249)
Impairment (losses)/reversals	14	29,919	(147,381)	34,945	(174,920)
Share of gain from associates and joint ventures	25	1,166	648	–	–
Profit before income tax		**2,084,327**	**1,486,737**	**2,096,858**	**1,458,257**
Income tax expense	15,16	(383,560)	(230,507)	(377,368)	(223,562)
Net profit for the year		**1,700,767**	**1,256,230**	**1,719,490**	**1,234,695**
Profit is attributable to:		1,700,767	1,256,230		
Profit attributable to parent		1,700,766	1,256,228		
Profit attributable to non-controlling interests		1	2		
Items that may be reclassified subsequently to profit or loss					
Net gains (losses) on financial assets at fair value through other comprehensive income		172,121	(158,395)	171,959	(159,082)
Related tax for above positions		(27,542)	25,342	(27,516)	25,453
Items that may not be reclassified subsequently to profit or loss					
Actuarial gains or (-) losses on defined benefit pension plans		(4,585)	1,964	(4,585)	1,964
Fair value changes of the equity instruments at fair value through other comprehensive income		17,492	21,722	17,492	21,722
Related tax for above positions		(2,048)	(3,789)	(2,048)	(3,789)
Other comprehensive income for the year, net of income tax		155,438	(113,156)	155,302	(113,732)
Total comprehensive income for the year, net of income tax		**1,856,205**	**1,143,074**	**1,874,792**	**1,120,963**
Total comprehensive income for the year, net of income tax is attributable to:		**1,856,205**	**1,143,074**		
Parent		**1,856,204**	**1,143,072**		
Non-controlling interests		**1**	**2**		

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

The consolidated and separate financial statements were approved by the Management Board on 19 March 2024 and were signed on its behalf by:

Alina Rus
Vice-president & Chief Financial Officer

Monica Curea
Accounting Director

Consolidated and separate statement of financial position

for the year ended 31 December 2023

In RON thousand	Note	GROUP 31 december 2023	GROUP 31 december 2022	BANK 31 december 2023	BANK 31 december 2022
Assets					
Cash and cash with Central Bank	17	13,867,449	8,281,451	13,802,815	8,280,853
Loans and advances to banks at amortized cost	20	484,640	323,543	495,257	286,851
Derivative assets held for risk management	19	18,185	13,781	18,185	13,781
Trading assets	18	181,316	93,302	181,316	93,302
Financial assets mandatorily at fair value through profit or loss	26	178,427	184,458	156,113	170,413
Investment securities at fair value through other comprehensive income	22	2,725,206	3,105,398	2,704,878	3,095,506
Equity instruments at fair value through other comprehensive income	23	90,579	71,488	90,579	71,488
Investment in subsidiaries, associates and joint ventures	25	18,853	32,891	110,475	106,871
Loans and advances to customers at amortized cost	21	41,813,234	39,851,569	41,259,437	39,367,515
Derivatives asset – hedge accounting	27	37,793	8,355	37,793	8,355
Investment securities at amortized cost	24	10,026,621	9,200,854	10,013,097	9,129,802
Income tax receivable	15	49,462	74,015	49,462	73,849
Other assets	28	349,478	427,091	311,555	400,269
Deferred tax assets	29	52,504	93,235	52,155	89,715
Property, equipment and right-of-use assets	30	436,738	434,821	431,424	433,973
Intangible assets	31	447,362	393,504	443,117	390,206
Total assets		70,777,847	62,589,756	70,157,658	62,012,749
Liabilities					
Trading liabilities	18	9,440	27,715	9,440	27,715
Derivative liabilities held for risk management	19	675	5,860	675	5,860
Deposits from banks	32	494,928	578,106	494,928	578,106
Deposits from customers	33	54,400,238	49,233,568	54,488,871	49,281,318
Loans from banks and other financial institutions	34	488,558	390,285	1,745	3,943
Fair value changes of the hedged items – liability	27	4,940	11,398	4,940	11,398
Derivatives – hedge accounting	27	709	–	709	–
Current tax liabilities		77,896	20,991	77,099	20,509
Other liabilities	35	1,631,186	1,422,869	1,580,082	1,366,361
Debt securities issued	34	5,555,004	3,887,808	5,555,004	3,887,808
Subordinated loans	34	326,115	323,726	326,015	323,678
Provisions	36	159,977	233,402	149,381	230,076
Deferred tax liabilities		4	56	–	–
Total liabilities		63,149,670	56,135,784	62,688,889	55,736,772
Equity					
Share capital	37	1,200,000	1,200,000	1,200,000	1,200,000
Other equity instruments	38	609,298	609,440	609,298	609,440
Retained earnings		5,638,654	4,619,746	5,479,844	4,442,212
Other reserves	39	180,199	24,761	179,627	24,325
Total equity attributable to parent		**7,628,151**	**6,453,947**	**7,468,769**	**6,275,977**
Non-controlling interests		**26**	**25**		
Total equity		**7,628,177**	**6,453,972**	**7,468,769**	**6,275,977**
Total liabilities and equity		**70,777,847**	**62,589,756**	**70,157,658**	**62,012,749**

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

The consolidated and separate financial statements were approved by the Management Board on 19 March 2024 and were signed on its behalf by:

Alina Rus
Vice-president & Chief Financial Officer

Monica Curea
Accounting Director

Consolidated and separate statement of changes in equity

for the year ended 31 December 2023

Group

In RON thousand	Note	Share capital	Other equity in-struments	Other reserves	Retained earnings	Non controlling interests	Total
Balance at 1 January 2022		**1,200,000**	**238,599**	**137,917**	**3,778,260**	**23**	**5,354,799**
Net profit for the year		–	–	–	1,256,228	2	1,256,230
Other comprehensive income, net of income tax		–	–	(113,156)	–	–	(113,156)
Total comprehensive income for the period, net of income tax		**–**	**–**	**(113,156)**	**1,256,228**	**2**	**1,143,074**
Issue additional Tier 1 instrument		**–**	**370,841**	**–**	**–**	**–**	**370,841**
Distribution related to AT1 instruments		–	–	–	(18,742)	–	(18,742)
Distribution of dividends		–	–	–	(396,000)	–	(396,000)
Balance at 31 December 2022		**1,200,000**	**609,440**	**24,761**	**4,619,746**	**25**	**6,453,972**
Balance at 1 January 2023		**1,200,000**	**609,440**	**24,761**	**4,619,746**	**25**	**6,453,972**
Net profit for the year		–	–	–	1,700,766	1	1,700,767
Other comprehensive income, net of income tax		–	–	155,438	–	–	155,438
Total comprehensive income for the period, net of income tax		**–**	**–**	**155,438**	**1,700,766**	**1**	**1,856,205**
Issue Additional Tier 1 instrument	38	**–**	**(142)**	**–**	**–**	**–**	**(142)**
Distribution related to AT1 instruments	38	–	–	–	(64,458)	–	(64,458)
Distribution of dividends	37	–	–	–	(617,400)	–	(617,400)
Balance at 31 December 2023		**1,200,000**	**609,298**	**180,199**	**5,638,654**	**26**	**7,628,177**

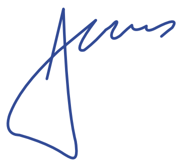
Bank

In RON thousand	Note	Share capital	Other equity instruments	Other reserves	Retained earnings	Total
Balance at 1 January 2022		**1,200,000**	**238,599**	**138,057**	**3,622,259**	**5,198,915**
Net profit for the year		–	–	–	1,234,695	1,234,695
Other comprehensive income, net of income tax		–	–	(113,732)	–	(113,732)
Total comprehensive income for the period, net of income tax		**–**	**–**	**(113,732)**	**1,234,695**	**1,120,963**
Issue additional Tier 1 instrument		**–**	**370,841**	**–**	**–**	**370,841**
Distribution related to AT1 instruments		–	–	–	(18,742)	(18,742)
Distribution of dividends		–	–	–	(396,000)	(396,000)
Balance at 31 December 2022		**1,200,000**	**609,440**	**24,325**	**4,442,212**	**6,275,977**
Balance at 1 January 2023		**1,200,000**	**609,440**	**24,325**	**4,442,212**	**6,275,977**
Net profit for the year		–	–	–	1,719,490	1,719,490
Other comprehensive income, net of income tax		–	–	155,302	–	155,302
Total comprehensive income for the period, net of income tax		**–**	**–**	**155,302**	**1,719,490**	**1,874,792**
Issue Additional Tier 1 instrument	38	–	(142)	–	–	(142)
Distribution related to AT1 instruments	38	–	–	–	(64,458)	(64,458)
Distribution of dividends	37	**–**	**–**	**–**	**(617,400)**	**(617,400)**
Balance at 31 December 2023		**1,200,000**	**609,298**	**179,627**	**5,479,844**	**7,468,769**

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

The consolidated and separate financial statements were approved by the Management Board on 19 March 2024 and were signed on its behalf by:

Alina Rus
Vice-president & Chief Financial Officer



Monica Curea
Accounting Director

Consolidated and separate statement of cash flows

for the year ended 31 December 2023

In RON thousand	Note	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Cash flows from operating activities					
Profit before income tax		2,084,327	1,486,737	2,096,858	1,458,257
Adjustments for non-cash items:					
Depreciation and amortization	12	274,702	259,127	271,545	257,042
Net impairment loss (income from recoveries is not included)	14	121,689	269,857	116,174	296,774
Group share of gain from associates and joint ventures	25	(1,166)	(648)	–	–
Loss on the sale of property, plant and equipment and of intangible assets		7,451	1,173	8,319	1,288
Net charge of provisions for litigation and other provisions	11,12	1,781	(15,341)	(3,142)	(17,420)
Net gains on non-trading financial assets mandatorily at fair value through profit or loss	26	(12,974)	38,335	(11,679)	37,853
Other fair value adjustments		(9,731)	(2,884)	(9,731)	(2,884)
Net interest income	8	(2,820,929)	(2,400,353)	(2,778,312)	(2,355,694)
Unrealized foreign exchange losses		5,468	(8,767)	5,468	(8,766)
Income from dividends	11	(3,122)	(2,180)	(32,716)	(28,942)
Operating profit before changes in operating assets and liabilities		**(352,504)**	**(374,944)**	**(337,216)**	**(362,492)**
Change in operating assets:					
(Increase)/Decrease in trading assets and derivatives held for risk management		(88,014)	41,872	(88,014)	41,872
(Increase)/Decrease in loans and advances to banks at amortized cost		(23,438)	(145,084)	(23,389)	(145,202)
(Increase)/Decrease in loans and advances to customers at amortized cost and at fair value through profit or loss		(2,184,227)	(7,139,992)	(2,108,197)	(7,128,941)
(Increase)/Decrease in investment securities at fair value through other comprehensive income		561,299	399,797	571,599	312,185
(Increase)/Decrease in investment securities at amortized cost		(645,184)	(776,164)	(702,712)	(841,221)
(Increase)/Decrease in other assets		34,466	(216,279)	43,220	(99,326)
Proceeds from sale of loans and recoveries from write-offs	14	151,608	122,476	151,119	121,854
Change in operating liabilities:					
Increase/(Decrease) in trading liabilities		(18,275)	6,854	(18,275)	6,854
Increase/(Decrease) in deposits from banks		(83,178)	220,544	(83,178)	220,544
Increase/(Decrease) in deposits from customers		5,019,739	(494,838)	5,060,622	(385,920)
Increase/(Decrease) in other liabilities		199,614	326,262	212,559	275,094
Taxation paid		(290,939)	(267,956)	(288,348)	(260,607)
Interest paid		(1,120,164)	(436,687)	(1,106,329)	(432,598)
Interest received		3,848,443	2,951,567	3,791,940	2,902,770
Cash flows from operating activities		**5,009,246**	**(5,782,572)**	**5,075,401**	**(5,775,134)**
Investing activities:					
Proceeds from sale of property, plant and equipment		999	1,251	999	1,251
Acquisition of property, plant and equipment	30	(48,014)	(68,255)	(50,085)	(67,855)
Acquisition of intangible assets	31	(184,847)	(132,844)	(182,615)	(131,271)
Acquisition of investment in subsidiaries	25	–	–	–	(7,000)
Proceeds from sale of investment in associate	25	13,784	–	1,667	–
Proceeds from sale of equity investments		71	–	71	–
Dividends received		3,122	2,180	32,716	28,942
Cash flows used in investing activities		**(214,885)**	**(197,668)**	**(197,247)**	**(175,933)**

to be continued on next page

Consolidated and separate statement of cash flows

for the year ended 31 December 2023

In RON thousand	Note	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Financing activities					
Cash from loans from banks and subordinated loans		150,851	173,984	–	–
Proceeds from debt securities issued		1,609,245	1,720,425	1,609,245	1,720,425
Repayments of loans from banks and subordinated loans		(52,578)	(128,776)	(2,198)	(4,668)
Proceeds from issue of additional Tier I instruments		–	370,841	–	370,841
Dividends paid	37	(617,400)	(396,000)	(617,400)	(396,000)
Distribution related to AT1 instruments	37	(64,458)	(18,742)	(64,458)	(18,742)
Repayment of principal portion of lease liability	30	(96,364)	(88,329)	(96,364)	(88,329)
Cash flow from financing activities		**929,296**	**1,633,403**	**828,825**	**1,583,527**
Net increase/(decrease) in cash and cash equivalents		5,723,657	(4,346,837)	5,706,979	(4,367,540)
Cash and cash equivalents at 1 January		**8,404,501**	**12,751,338**	**8,355,111**	**12,722,651**
Cash and cash equivalents at 31 December		**14,128,158**	**8,404,501**	**14,062,090**	**8,355,111**

Analysis of cash and cash equivalents

In RON thousand	Note	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Cash and cash equivalents comprise:					
Cash on hand		1,863,566	1,552,804	1,863,556	1,552,206
Cash with Central Bank		12,003,883	6,728,647	11,939,259	6,728,647
	17	**13,867,449**	**8,281,451**	**13,802,815**	**8,280,853**
Loans and advances to banks – less than 3 months		260,709	123,050	259,275	74,258
Cash and cash equivalents in the cash flow statement		**14,128,158**	**8,404,501**	**14,062,090**	**8,355,111**

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

Consolidated and separate statement of cash flows

for the year ended 31 December 2023

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

Group

In RON thousand	Debt securities issued	Loans from banks and subordinated loans	Lease liabilities (Note 30)	Share capital	Other equity instruments	Retained earnings	Other reserves	Total
Balance at 1 January 2023	**3.887.808**	**714.011**	**259.291**	**1.200.000**	**609.440**	**4.619.771**	**24.761**	**11.315.082**
Changes from financing cash flows								
Proceeds from issue of debt securities and Additional Tier 1 instrument	1,609,245	–	–	–	(142)	–	–	1,609,103
Repayment of debt securities	–	–	–	–	–	–	–	–
Cash from loans from banks and subordinated liabilities	–	150,851	–	–	–	–	–	150,851
Repayments of loans from banks and subordinated liabilities	–	(52,578)	–	–	–	–	–	(52,578)
Payment of lease liability	–	–	(96,364)	–	–	–	–	(96,364)
Proceeds from exercise of share options	–	–	–	–	–	–	–	–
Dividends and coupon on equity instruments paid	–	–	–	–	–	(681,858)	–	(681,858)
Total changes from financing cash flows	**1,609,245**	**98,273**	**(96,364)**	**–**	**(142)**	**(681,858)**	**–**	**929,154**
Changes in Fair value	–	–	–	–	–	–	185,028	185,028
Other changes	–	–	95,172	–	–	1,700,767	(29,590)	1,766,349
Liability-related								
Interest expense	295,827	35,540	4,322	–	–	–	–	335,689
Interest paid	(240,186)	(34,733)	(3,966)	–	–	–	–	(278,885)
The effect of changes in foreign exchange rates	2,310	1,582	5,226	–	–	–	–	9,118
Balance at 31 December 2023	**5,555,004**	**814,673**	**263,681**	**1,200,000**	**609,298**	**5,638,680**	**180,199**	**14,261,535**

Bank

In RON thousand	Debt securities issued	Loans from banks and subordinated loans	*Lease liabilities (Note 30)*	Share capital	Other equity instruments	Retained earnings	Other reserves	Total
Balance at 1 January 2023	**3,887,808**	**327,621**	**258,964**	**1,200,000**	**609,440**	**4,442,212**	**24,325**	**10,750,370**
Changes from financing cash flows								
Proceeds from issue of debt securities and Additional Tier 1 instrument	1,609,245	–	–	–	(142)	–	–	1,609,103
Repayment of debt securities	–	–	–	–	–	–	–	–
Cash from loans from banks and subordinated liabilities	–	–	–	–	–	–	–	–
Repayments of loans from banks and subordinated liabilities	–	(2,198)	–	–	–	–	–	(2,198)
Payment of lease liability	–	–	(96,364)	–	–	–	–	(96,364)
Proceeds from exercise of share options	–	–	–	–	–	–	–	–
Dividends and coupon on equity instruments paid	–	–	–	–	–	(681,858)	–	(681,858)
Total changes from financing cash flows	**1,609,245**	**(2,198)**	**(96,364)**	**–**	**(142)**	**(681,858)**	**–**	**828,683**
Changes in fair value	–	–	–	–	–	–	184,866	184,866
Other changes	–	–	92,671	–	–	1,719,490	(29,564)	1,782,597
Liability-related								
Interest expense	295,827	19,511	4,322	–	–	–	–	319,660
Interest paid	(240,186)	(18,941)	(3,966)	–	–	–	–	(263,093)
The effect of changes in foreign exchange rates	2,310	1,767	5,226	–	–	–	–	9,303
Balance at 31 December 2023	**5,555,004**	**327,760**	**260,853**	**1,200,000**	**609,298**	**5,479,844**	**179,627**	**13,612,386**

Notes to the consolidated and separate financial statements

for the year ended 31 December 2023

1. Reporting entity

Raiffeisen Bank S.A. (the "Bank") started its operations on 1 July 2002 upon the merger by acquisition of Raiffeisen Bank Romania by Banca Agricolă Raiffeisen S.A. 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 in FCC Office Building, Calea Floreasca no. 246 D, district 1, Bucharest, Romania.

The consolidated financial statements of the Bank for the year ended December 31, 2023 comprise the Bank and its subsidiaries (together referred to as the "Group").

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

The main activity of the Bank is to provide day-to-day banking services to corporate and individual clients. These include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium term facilities, bank guarantees and letters of credit. The Group also provides financial leasing services, home saving loan services and asset management services. The Group operates through the Head Office located in Bucharest and through its network of 284 branches as at December 31, 2023 (December 31, 2022: 291 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, 2023 are as follows:

- Johann Strobl – Chairman
- Hannes Mösenbacher – Deputy Chairman
- Andreas Gschwenter – Member
- Peter Lennkh – Member*
- Łukasz Janusz Januszewski – Member
- Andrii Stepanenko – Member
- Pedro Miguel Weiss – Independent Member
- Claudia Patricia Pendred – Independent Member
- Mihaela Cristina Mitroi – Independent Member**

The structure of the Management Board as of 31 December 2023 is as follows:

- Zdenek Romanek – President;
- Cristian Sporiş – Vice-president, coordinating the Corporate Division;
- Bogdan Popa – Vice-president, coordinating the Operations and IT Division;
- Vladimir Kalinov – Vice-president, coordinating the Retail Division;
- Mircea Busuioceanu – Vice-president, coordinating the Risk Division;
- Mihail Ion – Vice-president, coordinating the Markets, Investment Banking and Personal Financial Planning Division;
- Alina Rus – Vice-president, coordinating the Accounting and Financial Controlling Division.

* resigned starting with 1st of January 2024
** pending approval from National Bank of Romania

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.

The statutory accounts of the Bank and its subsidiaries are in line, in all material aspects with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

The associate prepares financial statements in accordance with the Romanian accounting law ("statutory accounts").

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

e) Material accounting policy information

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances for further information.

3. Material accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require disclosure of 'material', rather than significant, accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information related to financial statements disclosed in note 3.

Set out below is an index of the material accounting policies, the details of which are available on the pages that fallows:

a) Basis of consolidation

(i) Subsidiaries

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

The Bank holds:

- 99.99% (2022: 99.99%) interest and voting rights in Raiffeisen Leasing IFN S.A.;
- 99.99% (2022: 99.99%) interest and voting rights in Aedificium Banca pentru Locuințe S.A.;
- 99.99% (2022: 99.99%) investment and voting rights in Raiffeisen Asset Management S.A., an asset management company with the purpose of funds administration.

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

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

Aedificium Banca pentru Locuințe S.A. manages a product denominated in RON that is based on the combination of the saving and the lending phase (Bauspar).

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

In the separate financial statements, the accounting policy of the Bank regarding its subsidiaries is cost less impairment. The Bank is performing impairment analysis for all its subsidiaries at each reporting period, including December 31, 2023.

(ii) Associates

The Bank holds:

- 0% (2022: 33.33%) interest in Fondul de Garantare a Creditului Rural – IFN S.A.
- 33.33% (2022: 33.33%%) interest in CIT One S.R.L.

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

The Group accounts proportionately for the share of gain or loss from its associates in accordance with IAS 28 "Investments in Associates and Joint Ventures". 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.

In the Bank's Separate Financial Statement, the equity instruments representing investment in associates continue to be measured at cost in accordance to IAS 27 "Separate financial statements".

(iii) Transactions eliminated on consolidation
Intra-Group balances and transactions, and any unrealized gains arising from intra-Group transactions (except for the gains or losses from foreign exchange differences related to these transactions), have been eliminated from the consolidated financial statements.

b) Foreign currency

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

c) Interest income and expense

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

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

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

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

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

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.

Other interest income includes mainly interest from sight deposits and collateral deposits.

d) Fees and commissions

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

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

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

Type of service	Nature and timing of satisfaction of performance obligations	Revenue recognition policies under IFRS 15
Banking service	Fees charged by the Bank for ongoing management of current accounts, fees charged for servicing loans, provision of overdraft facilities and servicing fees are charged to the customer's account on a monthly basis.	The transaction price has no variable component. The fees are of fixed value depending on the type of product and client segment and they are charged monthly.
Cards additional features	Some types of cards include some additional features that provide clients with access to certain locations or to certain services. The Bank grant the customer with access to a series of services which can be used by the client simultaneous over the period of the contract.	The transaction price has no variable component. The fees are of fixed value depending on the type of product and client segment and they are charged annually.
Commitment fees	The fees are charged for the Bank commitment to provide a loan facility for a specific period and are recognized as the service is transferred to the customer over the period of entitlement. The fees paid by customers for loan commitments without a specific lending arrangement is entered into with the customer are recognized as revenue on a yearly basis. Payment of the fees is due and received yearly or quarterly in arrears.	The transaction price has no variable component. The fees are of fixed value depending on the type of product and client segment and they are charged yearly or quarterly.
Asset management service	Fees for asset management services are calculated based on the value of assets under management and charged on a monthly basis.	Revenue is recognized over time as the services are provided and are charged on a monthly basis.

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

Type of service	Nature and timing of satisfaction of performance obligations	Revenue recognition policies under IFRS 15
Payments and electronic banking	The fees charged by the Bank for processing payments and incomings instructed by clients through various channels (paper-based or electronic). Fees related to these services can be typically account transaction fees: money transfer fees, direct debit fees, transaction-based fees charged by the Bank for interchange, foreign currency transactions and overdrafts and are charged to the customer's account when the transaction takes place.	The transaction price has no variable component. The fees are applied in accordance with the "List of fees and commissions" of the Bank and depend on the type of product and client segment.
Cash services	The Bank earns fees from cash services such as: 1. Cash withdrawals by card, using EPOS, from current account at Bank cashier, from the ATM/MFM (Raiffeisen ATM or of other Romanian or abroad card accepting banks) 2. Cash deposits at Bank cashier for non-retail customers. 3. Payment of invoices or recharging prepaid phone cards at the ATM.	The transaction price has no variable component. The fee is charged per each operation in accordance with the "List of fees and commissions" of the Bank and depend on the type of product and client segment. The commissions related to cash operations are automatically withheld, at the time of settlement of the transaction.
Revenue related to syndicated transactions	Loan syndication fees charged by the Bank, in those situations where they are clearly to be regarded as service fees from syndicated transactions, because of their economic substance, meaning the Bank does not retain any part of the loan package for itself.	Depending on the contractual terms these fees can be both fix or variable computed as a percentaje of the approved credit facility amount.
Fees and commission related to the issued bank cards	In case of transaction-based fees (e.g., cash withdrawal/payment fee, merchant fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount. Bank fees related to credit/debit card operating services are charged from the current account at the date of transaction.	The fee is typically determined in % of the transaction with a fixed minimum amount. The fee is charged per each operation.
Interchange fees	The services are related to card processing services (i.e., authorization and settlement of transactions executed with the Bank's cards) where it is entitled to an interchange fee for each transaction. The fees vary based on the number of transactions processed and the allocated revenue is recognized when the transaction takes places or on a monthly basis.	Revenue is recognized at the point in time when the transaction takes place. The transaction price has no variable component.
Custody services	The Bank earns fees for depository activities and safekeeping of the client assets, intermediation service and custody service regarding the securities that the client is eligible to trade through the Bank and investment advisory service regarding the financial assets indicated by the Client.	Revenue is recognized at the point in time when the transaction takes place. The transaction price has no variable component.
Investment banking	Consultancy services provided by the Bank to Corporate clients for different purposes: issues of bonds; loans agreements etc. Amounts are variable depending on % established on each individual contract.	Revenue is recognized at the point in time when the transaction takes place. The transaction price has no variable component.
Commission for financial guarantees	Fees are charged for granting or servicing such as modification, processing or prolongation of financial guarantees. The fess are recognized when the service is provided (i.e. when underlying transaction is completed).	Revenue is recognized at the point in time when the service is provided or transaction takes place.
Commissions from insurance premium collection	The Bank intermediates the insurance services between the Insurer and the client for the loans granted by the Bank. The Bank present the offer to the client and if the client accept the offer the documentation is prepared by the Bank and sent to Insurer to proceed and issue the insurance. Further, for the intermediation of insurances the Bank charge a fee for the subsequent services provided consisting in collecting the insurance premium from client and paying/transferring into the Insurer account. The fees are recognized when the collection takes place. The fees for insurance products represents commission income from agreements between the Bank and the Insurer for stand-alone products (the insurance products are not bundle products).	The transaction price has no variable component and depend on the type of product and client segment. The commissions are charged annually, quarterly or monthly depending on the client option.

e) Net trading income

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

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

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

g) Dividends

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

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

h) Lease payments

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

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

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

i) Income tax

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

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

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

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
Classification of financial assets is based on the entity's business model (portfolio perspective) and the contractual cash flow characteristics of the individual financial asset.

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

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

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

b) FVOCI

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

A financial asset that is a debt instrument is classified as subsequently measured at FVOCI if it is held within a business model whose objective is both collecting contractual cash flows and selling financial assets and meets the SPPI test. Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI.

FVOCI Election for Equity Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 amortized cost or FVOCI. Financial assets that do not meet the SPPI test are classified as at FVTPL irrespective of the business model in which they are held, except for investments in equity instruments, for which an entity may elect to present gains and losses in FVOCI.

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

Three business models are allowed:

a) Hold-to-collect
Financial assets in a hold-to-collect business model are managed to realize cash flows by collecting payments of principal and interest over the life of the instruments. Although the objective of an entity's business model may be to hold financial assets in order to collect contractual cash flows, an entity's decision to sale certain financial assets when there is an increase in the assets credit risk is not inconsistent with a business model whose objective is to hold and collect.

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.

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

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

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

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

(iii) The SPPI test
As a second step of its classification process the Bank assesses the contractual terms of financial assets 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 amortized cost

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

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

Derivatives
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.

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

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

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

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

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

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

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

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

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

Such designation is determined on an instrument-by-instrument basis:

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

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

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

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

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

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

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

Initial recognition date is important given that:

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

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

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

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

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

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

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

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

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

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

(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 there is no active market shall be valued using Level 2 or Level 3 valuation techniques.

(ix) Identification and measurement of impairment
Bank is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as "financial instruments".

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

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

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

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

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

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

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

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

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

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

- PD The Probability of Default represents the likelihood of a borrower defaulting on its financial obligation either over the next twelve months or over the remaining lifetime of the obligation. Different models have been used to estimate the default profile of outstanding lending amounts and these can be grouped into the following categories:
  - Sovereign, local and regional governments, insurance companies and collective investments undertaking: 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: 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 amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis, where relevant early repayment/refinance assumptions are also considered in the calculation.

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

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

  Different models have been used to estimate the loss given default of outstanding lending amounts and these can be grouped into the following categories:
  - Sovereign: the loss given default is found by using market implied sources;
  - Corporate customers, project finance, financial institutions, local and regional governments, insurance companies: the loss given default is generated by discounting cash flows collected during the workout process. Forward-looking information is incorporated into the loss given default using the Vasicek model;
  - Retail mortgages and other retail lending: the loss given default is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory loss given default. Forward-looking information is incorporated into the loss given default using various satellite models.

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

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

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

  The mechanics of the ECL method are summarized below:

  - Stage 1: The 12mECL represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the multiple scenarios, as explained above;
  - Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR;
  - Stage 3: For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans.

Non-retail:
As general rule, IFRS 9 requires the usage of several cash flows scenarios (undergoing concern and/or gone concern strategy) for NPV assessment within the stage 3 provisions calculation. For the exposures where previously stage 3 provisions were not allocated and where following the assessment of impairment triggers a loss event occurs, a NPV test has to be performed for these exposures to measure the quantity of the loss.

Several scenarios can be used for assessment and computation of stage 3 provisions. Nevertheless, minimum two scenarios shall be applied, of which one scenario must be a gone concern scenario. Probabilities for each scenario have to be assigned according to the likelihood of each scenario.

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

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

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

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

- POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR;
- Loan commitments and letters of credit. When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognized within Provisions;
- Financial guarantee contracts. Tthe Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the scenarios. The ECLs related to financial guarantee contracts are recognized within Provisions (Note 3 t).

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

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

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

- Quantitative criteria

  The Group uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios. For quantitative staging the Group compares the lifetime PD curve at measurement data with the forward lifetime PD curve at the date of initial recognition. For the estimation of the lifetime PD curve at the date of initial recognition assumptions are made about the structure of the PD curve. On the one hand in the case of highly rated financial instruments it is assumed that the PD curve will deteriorate over time. On the other hand for low rated financial instruments it is assumed that the PD curve will improve over time. The degree of improvement or deterioration will depend on the level of the initial rating.

  In order to make the two curves comparable the PDs are scaled down to annualized PDs. In general a significant increase in credit risk is considered to have occurred with a relative increase of up to 250% in the initial PD although this amount can be lower due to several limiting factors such as closeness to maturity and portfolios of products.

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

- *Qualitative criteria*

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

For sovereign, bank, corporate and project finance portfolios, if the borrower meets one or more of the following criteria:
- Detection of first signs of credit deterioration in the early warning system;
- External risk factors with potentially significant impact on the client's repayment ability;
- Changes in contract terms as a forbearance measure;
- Expert judgment.

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

For retail portfolios, if the borrower meets one or more of the following criteria:
- Forbearance, which refers to concessions made to the borrower by the lender, for economic or contractual reasons when the borrower is experiencing financing difficulties, but which the lender would not otherwise grant;
- Expert judgment.

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

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

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

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

- Quantitative criteria

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

- Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
- The borrower is deceased;
- The borrower is insolvent;
- The borrower is in breach of financial covenants;
- The borrower is in default on other Group exposures, due to contamination effect;
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- It is becoming probable that the borrower will enter bankruptcy;
- Financial assets are purchased or originated at a significant 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 appropriately captured non-linearity. The scenario weightings are determined by a combination of statistical analysis and expert credit judgment, taking account of the range of possible outcomes each chosen scenario is representative of. The probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit loss model and multiplying it by the appropriate scenario weighting.

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

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

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

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

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

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

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

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

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

k) Hedge accounting

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

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

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

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

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

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

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

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

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

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

l) Cash and cash equivalents

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

m) Property, plant and equipment

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

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

Depreciation
Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each item.

The estimated useful lives are as follows:

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

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

n) Intangible assets

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

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

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

o) Leased assets

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

Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

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

p) Impairment of non-financial assets

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

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

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

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

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

Impairment losses recognized in prior periods are assessed at each reporting date. An impairment loss is reversed, except for those allocated to goodwill, if there has been a favorable 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 42). At initial recognition the instruments are booked at nominal amount less transaction costs directly attributable to the instruments. The instruments are kept in functional currency, its value being the amount in foreign currency multiplied by the exchange rate applicable at transaction date. Subsequently, they are maintained in functional currency, without being revaluated, as the instruments represent non-monetary elements. Distributions from principal are paid from distributable profits and represent dividends. In case the Group requires redemption, the payment is made in original currency, at the exchange rate available at the payment date. If a decision for redemption is made, the instruments are reclassified as financial liabilities. Also, in case distributions are made during the period in which the instruments are classified as liabilities, such distributions represent interest expense for the Group. In case of write down, the amount is booked directly in equity.

s) Employee benefits

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

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

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

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

- Defined benefit plans

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

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

  The Bank calculates the present value of the defined benefit obligation as the present value of future payments necessary to settle the obligation resulting from employee service in the current and prior periods.

  For the determination of the amounts to be recognized in other comprehensive income, the Banks takes into account the followings: the cost of the current service representing the additional rights granted to each employee, the cost of any past service and the gain or loss on settlement and net interest on the net defined benefit liability.

  The revaluation of the net defined benefit liability is recognized in other comprehensive income. Revaluations of the net defined benefit liability (asset) recognized in other comprehensive income is not reclassified to profit or loss in a subsequent period. However, the Bank may transfer those amounts recognized in other comprehensive income to equity.

  This includes actuarial gains and losses such as: differences resulting from changes in the calculation assumptions (early retirements, discount rates, etc.) and/or differences between actuarial assumptions and actual performance.

- Defined contribution plans

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

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

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

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

t) Provisions

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

u) Taxes

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

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

v) Segment reporting

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

An operating segment is a component of the Group:

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

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

4. Standards, interpretations and amendments to published international financial reporting standards

New and amended IFRS Accounting Standards that are effective for the current year
In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU, that are mandatorily effective for reporting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure of Accounting Policies issued by IASB on 12 February 2021. Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements;
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates, issued by IASB on 12 February 2021. Amendments focus on accounting estimates and provide guidance how to distinguish between accounting policies and accounting estimates;
- Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, issued by IASB on 6 May 2021. According to amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities;
- Amendments to IAS 12 "Income Taxes" – International Tax Reform — Pillar Two Model Rules issued by IASB on 23 May 2023. The amendments introduced a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules and disclosure requirements about company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

Romania enacted the legislation implementing the global minimum top-up tax, with effective date from 1 January 2024. The Bank does not expect to be subject to the top-up tax in relation to its operations in Romania where the statutory tax rate is 16%, thus does not estimate an impact for the year 2024.

New and revised IFRS Accounting Standards in issue and adopted by the EU but not yet effective
At the date of authorisation of these financial statements, the Group has not applied the following revised IFRS Accounting Standards that have been issued by IASB and adopted by EU but are not yet effective:

- Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback issued by IASB on 22 September 2022. Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease;
- Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current issued by IASB on 23 January 2020 and Amendments to IAS 1 "Presentation of Financial Statements" – Non-current Liabilities with Covenants issued by IASB on 31 October 2022. Amendments issued on January 2020 provide more general approach to the classification of liabilities under IAS 1, based on the contractual arrangements in place at the reporting date. Amendments issued on October 2022 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability and set the effective date for both amendments to annual periods beginning on or after 1 January 2024.

New and revised IFRS Accounting Standards in issue but not adopted by the EU
At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at the date of authorisation of these financial statements:

- Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" – Supplier Finance Arrangements issued by IASB on 25 May 2023. Amendments add disclosure requirements, and 'signposts' within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements;
- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability issued by IASB on 15 August 2023. Amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not;
- IFRS 14 "Regulatory Deferral Accounts" issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognize regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS;
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10, and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

IFRS 9 grants accounting options for hedge accounting. The Group continues to apply the provisions on hedge accounting pursuant to IAS 39 while, however, taking the changes in the disclosures in the notes pursuant to IFRS 7 into account.

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 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 sress 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 such as loan amount and compliance with the credit policies;
- Evaluation and review of the credit risk take place in accordance with the authorization limits set out in the Credit Committee as well as with the regulatory requirements;
- Limiting concentrations of exposure to counterparties, geographical areas, industries and by issuer, loan classification category, market liquidity and country (for investment securities). The concentration risk is monitored throughout the portfolio management activity. It is analyzed on a monthly basis through reports and presented to the personnel involved in the lending activity as well as to the management;
- Developing and maintaining the client classification systems depending on the risk grading. Unitary client classification systems are used at Group level depending on the client risk grading. These systems comprise both scoring and rating methodologies. The Group performs periodical reviews of the clients' classification systems. The risk grading measured through the above mentioned systems stands at the base of determining the loan loss provision necessary to cover the default risk;
- Reviewing and monitoring the compliance of business units with the limits established through the Credit Policies and internal norms;
- Regular reports are provided to Credit Committee on loan portfolio quality and appropriate corrective actions are proposed and implemented;
- Providing information, advice, guidance and expertise to business units in order to promote credit risk management best practice throughout the Group.

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

The implementation of the credit policies and procedures is insured at the Group's level. Each branch is 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 centralized processes for both credit approval and loan administration for companies and individuals, which leads to improved quality of the credit portfolio and better monitoring.

Internal Audit undertakes regular audits of 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

In RON thousand	31 December 2023	31 December 2022
Non-retail customers, of which:		
Corporate lending	14,660,748	13,712,329
Project finance	2,804,534	2,738,031
Financial institution non-bank	1,395,284	763,680
Small and medium business (SMB)	2,330,751	2,137,638
Public sector	1,271,629	806,402
Sovereign	48,995	151,404
Retail customers, of which:		
Personal loan	8,441,373	8,162,235
Mortgage	7,454,930	8,157,458
Consumer loans guaranteed with mortgage	703,055	820,874
Credit card	1,360,665	1,201,207
Overdraft	558,055	574,025
Micro	2,010,623	1,962,828
Total gross exposure	**43,040,642**	**41,188,111**
Impairment allowance	(1,227,408)	(1,336,542)
Total loans and advances to customers at amortized cost	**41,813,234**	**39,851,569**

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

Bank

In RON thousand	31 December 2023	31 December 2022
Non-retail customers, of which:		
Corporate lending	14,309,448	13,436,764
Project finance	2,804,534	2,738,031
Financial institution non-bank	2,141,268	1,412,754
Small and medium business (SMB)	1,814,102	1,667,015
Public sector	1,271,629	806,402
Sovereign	48,995	151,404
Retail customers, of which:		
Personal loan	8,441,373	8,162,235
Mortgage	7,454,830	8,157,425
Consumer loans guaranteed with mortgage	703,055	820,874
Credit card	1,360,665	1,201,207
Overdraft	558,055	574,025
Micro	1,541,920	1,536,633
Total gross exposure	**42,449,874**	**40,664,769**
Impairment allowance	(1,190,437)	(1,297,254)
Total loans and advances to customers at amortized cost	**41,259,437**	**39,367,515**

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

Group

In RON thousand — 31 December 2023

Loans and advances to customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail	**20,175,925**	**2,081,654**	**216,080**	**38,282**	**22,511,941**
Corporate lending	13,718,446	748,141	158,146	36,015	14,660,748
Project finance	2,066,684	730,986	6,864	–	2,804,534
Financial institution non-bank	1,348,548	46,736	–	–	1,395,284
Small and medium business	1,735,578	541,836	51,070	2,267	2,330,751
Public sector	1,257,833	13,796	–	–	1,271,629
Sovereign	48,836	159	–	–	48,995
Retail	**16,594,728**	**2,965,013**	**792,227**	**176,733**	**20,528,701**
Personal loan	7,178,562	826,060	430,862	5,889	8,441,373
Mortgage	6,024,665	1,245,596	138,164	46,505	7,454,930
Micro	1,565,414	338,609	102,331	4,269	2,010,623
Consumer loans guaranteed with mortgage	334,102	175,239	85,036	108,678	703,055
Credit card	1,048,892	277,068	23,313	11,392	1,360,665
Overdraft	443,093	102,441	12,521	–	558,055
Total gross exposure	**36,770,653**	**5,046,667**	**1,008,307**	**215,015**	**43,040,642**
Impairment allowance	(230,334)	(268,221)	(663,089)	(65,764)	(1,227,408)
Net exposure	**36,540,319**	**4,778,446**	**345,218**	**149,251**	**41,813,234**

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

Group

In RON thousand — 31 December 2022

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

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

Bank

In RON thousand — 31 December 2023

Loans and advances to customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail	**20,368,735**	**1,782,670**	**200,289**	**38,282**	**22,389,976**
Corporate lending	13,504,489	616,702	152,242	36,015	14,309,448
Project finance	2,066,684	730,986	6,864	–	2,804,534
Financial institution non-bank	2,094,532	46,736	–	–	2,141,268
Small and medium business	1,396,361	374,291	41,183	2,267	1,814,102
Public sector	1,257,833	13,796	–	–	1,271,629
Sovereign	48,836	159	–	–	48,995
Retail	**16,213,528**	**2,891,756**	**777,881**	**176,733**	**20,059,898**
Personal loans	7,178,562	826,060	430,862	5,889	8,441,373
Mortgage	6,024,565	1,245,596	138,164	46,505	7,454,830
Micro	1,184,314	265,352	87,985	4,269	1,541,920
Consumer loan guaranteed with mortgage	334,102	175,239	85,036	108,678	703,055
Credit card	1,048,892	277,068	23,313	11,392	1,360,665
Overdraft	443,093	102,441	12,521	–	558,055
Total gross exposure	**36,582,263**	**4,674,426**	**978,170**	**215,015**	**42,449,874**
Impairment allowance	(227,332)	(255,189)	(642,152)	(65,764)	(1,190,437)
Net exposure	**36,354,931**	**4,419,237**	**336,018**	**149,251**	**41,259,437**

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

Bank

In RON thousand — 31 December 2022

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

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 2023**

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Minimal Risk	3,568,641	290,547	–	11	3,859,199
Excellent Credit Standing	2,875,700	597,066	–	19,371	3,492,137
Very Good Credit Standing	1,393,293	170,947	–	21,209	1,585,449
Good Credit Standing	3,563,134	203,830	–	30,249	3,797,213
Sound Credit Standing	2,643,242	247,942	–	14,932	2,906,116
Acceptable Credit Standing	1,449,455	312,733	–	9,453	1,771,641
Marginal Credit Standing	540,023	410,795	–	9,440	960,258
Weak Credit Standing	166,518	254,203	–	5,978	426,699
Very Weak Credit Standing	11,415	385,255	–	5,691	402,361
Default	–	–	792,109	60,245	852,354
Not Rated	383,307	91,695	118	154	475,274
Total	**16,594,728**	**2,965,013**	**792,227**	**176,733**	**20,528,701**

Group

In RON thousand — **31 December 2022**

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

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

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

Bank

In RON thousand — 31 December 2023

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Minimal Risk	3,568,641	290,547	–	11	3,859,199
Excellent Credit Standing	2,875,700	597,066	–	19,371	3,492,137
Very Good Credit Standing	1,393,293	170,947	–	21,209	1,585,449
Good Credit Standing	3,563,134	203,830	–	30,249	3,797,213
Sound Credit Standing	2,643,242	247,942	–	14,932	2,906,116
Acceptable Credit Standing	1,449,455	312,733	–	9,453	1,771,641
Marginal Credit Standing	540,023	410,795	–	9,440	960,258
Weak Credit Standing	166,518	254,203	–	5,978	426,699
Very Weak Credit Standing	11,415	385,255	–	5,691	402,361
Default	–	–	777,763	60,245	838,008
Not Rated	2,107	18,438	118	154	20,817
Total	**16,213,528**	**2,891,756**	**777,881**	**176,733**	**20,059,898**

Bank

In RON thousand — 31 December 2022

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

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

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 2023

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	22,471	399	–	–	22,870
Strong	2,499,451	30,685	–	–	2,530,136
Good	12,532,021	753,889	–	–	13,285,910
Satisfactory	5,120,955	1,261,800	–	–	6,382,755
Substandard	746	25,905	–	–	26,651
Impaired	–	–	216,073	38,282	254,355
Unrated	281	8,976	7	–	9,264
Total	**20,175,925**	**2,081,654**	**216,080**	**38,282**	**22,511,941**

Group

In RON thousand — 31 December 2022

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

Bank

In RON thousand — 31 December 2023

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	22,175	9	–	–	22,184
Strong	2,446,072	19,882	–	–	2,465,954
Good	13,011,466	655,521	–	–	13,666,987
Satisfactory	4,888,958	1,085,927	–	–	5,974,885
Substandard	64	21,163	–	–	21,227
Impaired	–	–	200,282	38,282	238,564
Unrated	–	168	7	–	175
Total	**20,368,735**	**1,782,670**	**200,289**	**38,282**	**22,389,976**

Bank

In RON thousand — 31 December 2022

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

At **Group** level, loans and advances to banks in amount of RON 484,640 thousand (December 31, 2022: RON 323,543 thousand) are all classified in Stage 1.

At **Bank** level, loans and advances to banks in amount of RON 495,257 thousand (December 31, 2022: RON 286,851 thousand), are all classified in Stage 1.

Loans and advances to banks as of 31 December 2023 mainly represent short term loans, term deposits and collateral deposits in correspondent bank accounts. 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 table below shows the maximum on-balance sheet exposure to credit risk by segment. The tables also show the total fair value of collateral, any surplus of collateral and the net exposure to credit risk:

Group

In RON thousand — 31 December 2023

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECLs
Non-retail						
Corporate lending	14,660,748	2,653,468	(765,894)	1,887,574	12,773,174	272,481
Project finance	2,804,534	3,243,480	(673,404)	2,570,076	234,458	73,234
Financial institution non-bank	1,395,284	–	–	–	1,395,284	1,035
Small and medium business	2,330,751	536,976	(227,603)	309,373	2,021,378	49,354
Public sector	1,271,629	–	–	–	1,271,629	923
Sovereign	48,995	–	–	–	48,995	11
Total Non-retail	**22,511,941**	**6,433,924**	**(1,666,901)**	**4,767,023**	**17,744,918**	**397,038**
Retail						
Personal loan	8,441,373	195,133	(75,863)	119,270	8,322,103	510,164
Mortgage	7,454,930	7,578,926	(1,755,155)	5,823,771	1,631,159	90,529
Micro	703,055	371,689	(201,272)	170,417	532,638	97,450
Consumer loan guaranteed with mortgage	1,360,665	1,138,422	(587,504)	550,918	809,747	86,611
Credit card	558,055	–	–	–	558,055	25,527
Overdraft	2,010,623	–	–	–	2,010,623	20,089
Total Retail	**20,528,701**	**9,284,170**	**(2,619,794)**	**6,664,376**	**13,864,325**	**830,370**
Financial assets at fair value through profit or loss	**153,343**	**202,371**	**(87,699)**	**114,672**	**38,671**	**15,783**

Group

In RON thousand — 31 December 2022

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

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

Bank

In RON thousand — 31 December 2023

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECLs
Non-retail						
Corporate lending	14,309,448	2,653,468	(765,894)	1,887,574	12,421,874	263,100
Project finance	2,804,534	3,243,480	(673,404)	2,570,076	234,458	73,234
Financial institution non-bank	2,141,268	–	–	–	2,141,268	1,035
Small and medium business	1,814,102	536,976	(227,603)	309,373	1,504,729	36,600
Public sector	1,271,629	–	–	–	1,271,629	923
Sovereign	48,995	–	–	–	48,995	11
Total Non-retail	**22,389,976**	**6,433,924**	**(1,666,901)**	**4,767,023**	**17,622,953**	**374,903**
Retail						
Personal loan	8,441,373	195,133	(75,863)	119,270	8,322,103	510,522
Mortgage	7,454,830	7,578,926	(1,755,155)	5,823,771	1,631,059	90,529
Micro	703,055	371,689	(201,272)	170,417	532,638	82,256
Consumer loan guaranteed with mortgage	1,360,665	1,138,422	(587,504)	550,918	809,747	86,611
Credit card	558,055	–	–	–	558,055	25,527
Overdraft	1,541,920	–	–	–	1,541,920	20,089
Total retail	**20,059,898**	**9,284,170**	**(2,619,794)**	**6,664,376**	**13,395,522**	**815,534**
Financial assets at fair value through profit or loss	**153,343**	**202,371**	**(87,699)**	**114,672**	**38,671**	**15,783**

Bank

In RON thousand — 31 December 2022

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

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

Group

In RON thousand — 31 December 2023

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECLs
Non-retail						
Corporate lending	194,161	29,034	(11,428)	17,606	176,555	126,169
Project finance	6,864	–	–	–	6,864	6,864
Financial institution non-bank	–	–	–	–	–	–
Small and medium business	53,337	7,323	(1,105)	6,218	47,119	35,213
Public sector	–	–	–	–	–	–
Sovereign	–	–	–	–	–	–
Total Non-retail	**254,362**	**36,357**	**(12,533)**	**23,824**	**230,538**	**168,246**
Retail						
Personal loan	434,731	–	–	–	434,731	331,424
Mortgage	151,322	144,580	(34,240)	110,340	40,982	74,009
Micro	106,311	25,043	(16,535)	8,508	97,803	52,577
Consumer loan guaranteed with mortgage	115,103	138,000	(59,404)	78,596	36,507	79,401
Credit card	32,484	–	–	–	32,484	13,792
Overdraft	12,521	–	–	–	12,521	8,528
Total Retail	**852,472**	**307,623**	**(110,179)**	**197,444**	**655,028**	**559,731**

Group

In RON thousand — 31 December 2022

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

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

Bank

In RON thousand — 31 December 2023

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECLs
Non-retail						
Corporate lending	188,257	29,034	(11,428)	17,606	170,651	122,046
Project finance	6,864	–	–	–	6,864	6,864
Financial institution non-bank	–	–	–	–	–	–
Small and medium business	43,450	7,323	(1,105)	6,218	37,232	27,595
Public sector	–	–	–	–	–	–
Sovereign	–	–	–	–	–	–
Total Non-retail	**238,571**	**36,357**	**(12,533)**	**23,824**	**214,747**	**156,505**
Retail						
Personal loan	434,731	–	–	–	434,731	331,424
Mortgage	151,322	144,580	(34,240)	110,340	40,982	74,009
Micro	91,965	25,043	(16,535)	8,508	83,457	43,381
Consumer loan guaranteed with mortgage	115,103	138,000	(59,404)	78,596	36,507	79,401
Credit card	32,484	–	–	–	32,484	13,792
Overdraft	12,521	–	–	–	12,521	8,528
Total Retail	**838,126**	**307,623**	**(110,179)**	**197,444**	**640,682**	**550,535**

Bank

In RON thousand — 31 December 2022

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

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

Group

In RON thousand — 31 December 2023

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	4,867,567	270,572	(35,656)	234,916	4,632,651	24,573
Loan commitments given	11,825,972	70,976	(51,476)	19,500	11,806,472	17,310
Total Non-retail	**16,693,539**	**341,548**	**(87,132)**	**254,416**	**16,439,123**	**41,883**
Retail						
Financial guarantees given	21,088	11,871	(3,447)	8,424	12,664	153
Loan commitments given	3,899,483	17,694	(4,781)	12,913	3,886,570	11,641
Retail	**3,920,571**	**29,565**	**(8,228)**	**21,337**	**3,899,234**	**11,794**

Group

In RON thousand — 31 December 2022

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

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

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

Group

In RON thousand

31 December 2023

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	68,758	1,404	–	1,404	67,354	23,800
Loan commitments given	13,432	464	–	464	12,968	7,337
Total Non-retail	**82,190**	**1,868**	**–**	**1,868**	**80,322**	**31,137**
Retail						
Financial guarantees given	–	–	–	–	–	–
Loan commitments given	16,178	–	–	–	16,178	7,557
Total Retail	**16,178**	**–**	**–**	**–**	**16,178**	**7,557**

Group

In RON thousand

31 December 2022

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

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

Bank

In RON thousand — 31 December 2023

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	4,867,567	270,572	(35,656)	234,916	4,632,651	24,573
Loan commitments given	11,751,372	70,976	(51,476)	19,500	11,731,872	17,310
Total Non-retail	**16,618,939**	**341,548**	**(87,132)**	**254,416**	**16,364,523**	**41,883**
Retail						
Financial guarantees given	21,088	11,871	(3,447)	8,424	12,664	153
Loan commitments given	3,886,227	17,694	(4,781)	12,913	3,873,314	11,641
Total Retail	**3,907,315**	**29,565**	**(8,228)**	**21,337**	**3,885,978**	**11,794**

Bank

In RON thousand — 31 December 2022

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

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

Bank

In RON thousand — 31 December 2023

	Maximum exposure to credit risk	Fair value of collateral	Surplus of collateral	Used collateral	Net exposure	Associated ECL
Non-retail						
Financial guarantees given	68,758	1,404	–	1,404	67,354	23,800
Loan commitments given	13,702	464	–	464	13,238	7,337
Total Non-retail	**82,460**	**1,868**	**–**	**1,868**	**80,592**	**31,137**
Retail						
Financial guarantees given	–	–	–	–	–	–
Loan commitments given	15,908	–	–	–	15,908	7,557
Total Retail	**15,908**	**–**	**–**	**–**	**15,908**	**7,557**

Bank

In RON thousand — 31 December 2022

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

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, 2023 was RON 21,496 thousand (December 31, 2022: RON 19,991 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

Loans and advances to customers past due of December 31, 2023 were as follows:

Group

In RON thousand

	Stage 1			Stage 2			Stage 3			POCI		
	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days
Retail customers	733,803	–	–	538,833	105,287	–	64,352	74,884	64,695	24,713	6,076	6,761
Non-retail customers	303,622	–	–	33,108	69,814	–	10,063	3,305	11,126	455	1,837	3,516
Total	**1,037,425**	**–**	**–**	**571,941**	**175,101**	**–**	**74,415**	**78,189**	**75,821**	**25,168**	**7,913**	**10,277**

Bank

In RON thousand

	Stage 1			Stage 2			Stage 3			POCI		
	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days	<=30 days	31-90 days	>90 days
Retail customers	731,971	–	–	538,578	104,692	–	64,301	74,884	64,568	24,713	6,076	6,761
Non-retail customers	268,405	–	–	22,275	67,938	–	5,730	–	9,740	455	1,837	3,516
Total	**1,000,376**	**–**	**–**	**560,853**	**172,630**	**–**	**70,031**	**74,884**	**74,308**	**25,168**	**7,913**	**10,277**

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

Group

In RON thousand

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

Bank

In RON thousand

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

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

Group

In RON thousand — 31 December 2023

Non-retail	Stage 1	Stage 2	Stage 3	POCI	Total
A. Agriculture, forestry and fishing	863,693	153,875	15,018	3,417	1,036,003
B. Mining and quarrying	789,681	6,762	321	–	796,764
C. Manufacturing	2,582,334	292,339	33,895	2,294	2,910,862
D. Electricity, gas, steam and air conditioning supply	2,039,999	7,118	6,870	–	2,053,987
E. Water supply	313,343	63,026	352	–	376,721
F. Construction	863,072	296,037	11,227	3,532	1,173,868
G. Wholesale and retail trade	4,800,309	341,509	91,351	25	5,233,194
H. Transport and storage services	1,250,836	155,527	32,803	–	1,439,166
I. Accommodation and restaurant services	188,767	270,431	12,621	–	471,819
J. Information and communications	140,257	4,977	4,817	29,001	179,052
K. Financial and insurance activities	1,563,780	80,298	4	–	1,644,082
L. Real estate activities	2,153,727	320,563	11	–	2,474,301
M. Professional, scientific and technical activities	262,362	21,915	801	–	285,078
N. Administrative and support service activities	344,456	15,564	2,489	13	362,522
O. Public administration and defense, compulsory social security	1,334,719	13,955	–	–	1,348,674
P. Education	27,297	323	–	–	27,620
Q. Human health services and social work activities	556,296	12,441	–	–	568,737
R. Arts, entertainment and recreation	17,724	15,519	793	–	34,036
S. Other services	83,273	9,475	2,707	–	95,455
Total	**20,175,925**	**2,081,654**	**216,080**	**38,282**	**22,511,941**

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

Group

In RON thousand — 31 December 2022

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

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

Bank

In RON thousand — 31 December 2023

Non-retail	Stage 1	Stage 2	Stage 3	POCI	Total
A. Agriculture, forestry and fishing	843,121	139,864	13,203	3,417	999,605
B. Mining and quarrying	783,530	6,108	233	–	789,871
C. Manufacturing	2,516,818	262,627	26,798	2,294	2,808,537
D. Electricity, gas, steam and air conditioning supply	2,039,267	7,118	6,870	–	2,053,255
E. Water supply	301,582	2,177	8	–	303,767
F. Construction	735,361	264,174	10,739	3,532	1,013,806
G. Wholesale and retail trade	4,658,311	273,428	88,670	25	5,020,434
H. Transport and storage services	1,107,053	104,037	31,009	–	1,242,099
I. Accommodation and restaurant services	187,391	246,171	12,552	–	446,114
J. Information and communications	135,555	3,871	3,703	29,001	172,130
K. Financial and insurance activities	2,308,537	80,298	4	–	2,388,839
L. Real estate activities	2,152,249	319,677	11	–	2,471,937
M. Professional, scientific and technical activities	251,862	19,810	801	–	272,473
N. Administrative and support service activities	338,067	7,460	2,188	13	347,728
O. Public administration and defense, compulsory social security	1,334,559	13,955	–	–	1,348,514
P. Education	27,297	200	–	–	27,497
Q. Human health services and social work activities	553,243	7,826	–	–	561,069
R. Arts, entertainment and recreation	17,556	15,222	793	–	33,571
S. Other services	77,376	8,647	2,707	–	88,730
Total	**20,368,735**	**1,782,670**	**200,289**	**38,282**	**22,389,976**

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

Bank

In RON thousand — 31 December 2022

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

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

Group

In RON thousand | 31 December 2023

Retail	Stage 1	Stage 2	Stage 3	POCI	Total
A. Agriculture, forestry and fishing	236,239	76,029	5,953	306	318,527
B. Mining and quarrying	686	152	51	–	889
C. Manufacturing	149,393	26,150	7,986	110	183,639
D. Electricity, gas, steam and air conditioning supply	986	134	16	–	1,136
E. Water supply	6,305	978	369	28	7,680
F. Construction	149,052	49,741	19,764	623	219,180
G. Wholesale and retail trade	398,445	82,155	25,254	1,818	507,672
H. Transport and storage services	246,846	44,019	23,649	304	314,818
I. Accommodation and restaurant services	64,623	11,266	4,515	202	80,606
J. Information and communications	47,932	10,510	2,898	176	61,516
K. Financial and insurance activities	2,257	168	5	–	2,430
L. Real estate activities	12,634	1,316	143	–	14,093
M. Professional, scientific and technical activities	109,263	16,079	5,102	366	130,810
N. Administrative and support service activities	55,384	8,419	3,087	283	67,173
O. Public administration and defense, compulsory social security	641	–	2	–	643
P. Education	5,955	1,284	345	43	7,627
Q. Human health services and social work activities	36,195	3,685	725	–	40,605
R. Arts, entertainment and recreation	11,526	1,956	1,337	–	14,819
S. Other services	23,546	4,569	1,123	9	29,247
Private individuals	15,036,820	2,626,403	689,903	172,465	18,525,591
Total	**16,594,728**	**2,965,013**	**792,227**	**176,733**	**20,528,701**

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

Group

In RON thousand | 31 December 2022

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

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

Bank

In RON thousand — 31 December 2023

Retail	Stage 1	Stage 2	Stage 3	POCI	Total
A. Agriculture, forestry and fishing	213,397	73,323	5,222	306	292,248
B. Mining and quarrying	56	112	11	–	179
C. Manufacturing	123,575	15,198	7,139	110	146,022
D. Electricity, gas, steam and air conditioning supply	845	3	16	–	864
E. Water supply	3,985	877	343	28	5,233
F. Construction	99,437	41,854	18,322	623	160,236
G. Wholesale and retail trade	330,585	67,592	24,139	1,818	424,134
H. Transport and storage services	167,795	24,361	14,604	304	207,064
I. Accommodation and restaurant services	52,565	10,104	4,213	202	67,084
J. Information and communications	24,687	7,692	2,756	176	35,311
K. Financial and insurance activities	2	32	5	–	39
L. Real estate activities	5,793	376	143	–	6,312
M. Professional, scientific and technical activities	69,477	12,024	4,735	366	86,602
N. Administrative and support service activities	43,582	5,502	2,999	283	52,366
O. Public administration and defense, compulsory social security	542	–	2	–	544
P. Education	4,643	816	345	43	5,847
Q. Human health services and social work activities	24,019	2,685	697	–	27,401
R. Arts, entertainment and recreation	8,414	1,488	1,223	–	11,125
S. Other services	10,915	1,314	1,073	9	13,311
Private individuals	15,029,214	2,626,403	689,894	172,465	18,517,976
Total	**16,213,528**	**2,891,756**	**777,881**	**176,733**	**20,059,898**

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

Bank

In RON thousand — 31 December 2022

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

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, 2023 and December 31, 2022. These variables are the most significant variables used in ECL calculation.

31 December 2023 Key Drivers	ECL Scenario	Assigned Probabilities %	2023 %	2024 %	2025 %
EUR/RON	Baseline	50	5.00	5.09	5.13
	Upside	25	4.66	4.90	4.95
	Downside	25	5.41	5.31	5.36
ROBOR 3M	Baseline	50	6.20	5.10	3.80
	Upside	25	3.80	3.80	2.50
	Downside	25	8.00	6.10	4.80
Unemployment	Baseline	50	5.31	5.03	4.73
	Upside	25	5.16	4.94	4.64
	Downside	25	6.00	5.41	5.11
GDP growth %	Baseline	50	2.80	3.50	3.00
	Upside	25	4.40	4.40	3.90
	Downside	25	0.40	2.20	1.70

31 December 2022 Key Drivers	ECL Scenario	Assigned Probabilities %	2022 %	2023 %	2024 %
EUR/RON	Baseline	50	4.94	4.99	5.06
	Upside	25	4.87	4.40	4.73
	Downside	25	5.02	5.73	5.47
ROBOR 3M	Baseline	50	6.18	7.73	6.72
	Upside	25	5.76	3.91	4.60
	Downside	25	6.97	14.86	10.68
GDP growth %	Baseline	50	5.40	5.18	4.73
	Upside	25	5.31	4.38	4.29
	Downside	25	5.65	7.47	6.00
Unemployment	Baseline	50	4.50	2.30	4.50
	Upside	25	4.70	4.06	5.48
	Downside	25	4.28	0.34	3.41

The Group's internal credit rating grades
The tables below show the internal credit rating grade by type of customers:

Retail: Private individuals, micro

Internal rating grade	Internal rating description	12 month Basel III PD range
Performing		
0	Not rated	
0,5A	Minimal risk	[0.00% – 0.18%]
0,5B	Minimal risk	[0.18% – 0.35%]
0,5C	Minimal risk	[0.35% – 0.70%]
1	Excellent Credit Standing	[0.70% – 1.40%]
1,5	Very Good Credit Standing	[1.40% – 2.75%]
2	Good Credit Standing	[2.75% – 5.35%]
2,5	Sound Credit Standing	
3,0A	Acceptable Credit Standing	
3,0B	Acceptable Credit Standing	
3,5A	Marginal Credit Standing	
3,5B	Marginal Credit Standing	
4	Weak Credit Standing	[5.35% – 10.14%]
4,5A	Very Weak Credit Standing	[10.14% – 18.40%]
4,5B	Very Weak Credit Standing	[18.40% – 100%]
Non-performing		
5	Default	100%

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

Non-retail: Corporate

Internal rating grade	Internal rating description	12 month Basel III PD range	Internal rating grade mapping
Performing			
1A, 1B, 1C	Minimal Risk	(0.00%-0.03%]	Excellent
2A, 2B, 2C	Excellent Credit Standing	(0.03% - 0.07%]	Strong
3A, 3B, 3C	Very Good Credit Standing	(0.07% - 0.18%]	Strong
4A, 4B, 4C	Good Credit Standing	(0.18% - 0.46%]	Good
5A, 5B, 5C	Sound Credit Standing	(0.46% - 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

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

Non-retail: Small and medium business

Internal rating grade	Internal rating description	12 month Basel III PD range	Internal rating grade mapping
Performing			
1A, 1B, 1C	Minimal Risk	(0.00%-0.03%]	Excellent
2A, 2B, 2C	Excellent Credit Standing	(0.03% - 0.07%]	Strong
3A, 3B, 3C	Very Good Credit Standing	(0.07% - 0.18%]	Strong
4A, 4B, 4C	Good Credit Standing	(0.18% - 0.46%]	Good
5A, 5B, 5C	Sound Credit Standing	(0.46% - 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: Financial institution

Internal rating grade	Internal rating description	12 month Basel III PD range	Internal rating grade mapping
Performing			
1A, 1B, 1C	Minimal Risk	(0.00%-0.03%]	Excellent
2A, 2B, 2C	Excellent Credit Standing	(0.03% - 0.07%]	Strong
3A, 3B, 3C	Very Good Credit Standing	(0.07% - 0.18%]	Strong
4A, 4B, 4C	Good Credit Standing	(0.18% - 0.46%]	Good
5A, 5B, 5C	Sound Credit Standing	(0.46% - 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

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	(0.18%-1.17%]	Good
6.2	Good project risk profile - low risk	(1.17% - 3.98%]	Satisfactory
6.3	Acceptable risk profile - average risk	(3.98% - 13.51%]	Satisfactory
6.4	Poor project risk profile - high risk	(13.51% - 100%)	Substandard
Non-performing			
6.5	Default	100%	Impaired

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

Non-retail: Insurance

Internal rating grade	Internal rating description	12 month Basel III PD range	Internal rating grade mapping
Performing			
0.5	Minimal Risk	[0.00% - 0.03%]	Excellent
1	Excellent Credit Standing	(0.03% - 0.04%]	Strong
1.5	Very Good Credit Standing	(0.04% - 0.05%]	Strong
2	Good Credit Standing	(0.05% - 0.10%]	Strong
2.5	Sound Credit Standing	(0.10% - 0.18%]	Strong
3	Acceptable Credit Standing	(0.18% - 0.34%]	Strong
3.5	Marginal Credit Standing	(0.34% - 0.63%]	Satisfactory
4	Weak Credit Standing	(0.63% - 2.93%]	Satisfactory
4.5	Very Weak Credit Standing	(2.93% - 100%)	Substandard
Non-performing			
5	Default	100%	Impaired

Non-retail: Sovereign

Internal rating grade	Internal rating description	12 month Basel III PD range	Internal rating grade mapping
Performing			
1A, 1B, 1C	Minimal Risk	(0.00%-0.03%]	Excellent
2A, 2B, 2C	Excellent Credit Standing	(0.03% - 0.07%]	Strong
3A, 3B, 3C	Very Good Credit Standing	(0.07% - 0.18%]	Strong
4A, 4B, 4C	Good Credit Standing	(0.18% - 0.46%]	Good
5A, 5B, 5C	Sound Credit Standing	(0.46% - 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: Collective investment undertakings

Internal rating grade	Internal rating description	12 month Basel III PD range	Internal rating grade mapping
Performing			
C1	Excellent Credit Standing	(0.00% - 0.03%]	Strong
C2	Very strong Credit Standing	(0.03% - 0.04%]	Strong
C3	Strong Credit Standing	(0.04% - 0.05%]	Strong
C4	Good Credit Standing	(0.05% - 0.07%]	Strong
C5	Quite good Credit Standing	(0.07% - 0.25%]	Strong
C6	Satisfactory Credit Standing	(0.25% - 1.17%]	Strong
C7	Adequate Credit Standing	(1.17% - 2.93%]	Good
C8	Highly questionable Credit Standing	(2.93% - 7.33%]	Satisfactory
C9	Doubtful/high default risk	(7.33% - 100%)	Substandard
Non-performing			
CD	Insolvency, loss	100%	Impaired

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

Non-retail: Local and regional government

Internal rating grade	Internal rating description	12 month Basel III PD range	Internal rating grade mapping
Performing			
1A, 1B, 1C	Minimal Risk	(0.00%-0.03%]	Excellent
2A, 2B, 2C	Excellent Credit Standing	(0.03% - 0.07%]	Strong
3A, 3B, 3C	Very Good Credit Standing	(0.07% - 0.18%]	Strong
4A, 4B, 4C	Good Credit Standing	(0.18% - 0.46%]	Good
5A, 5B, 5C	Sound Credit Standing	(0.46% - 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-performing exposure

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

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

Retail
The definition of non-performing exposures has been harmonized with the definition of defaulted exposures. Thus, an exposure is considered non-performing if it is classified as being in default, namely if any of the following criteria is met:

- material exposures which are more than 90 days past-due;
- the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or the number of days past due.

The materiality threshold of the outstanding credit obligations consists in an absolute and a relative component:

- the level of the relative component is 1%;
- the level of the absolute component is 150 RON.

c) Liquidity risk

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

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

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

- For normal business conditions, using a set of limits for the long term liquidity risk profile. The role of the limits is to prevent the accumulation of liquidity risk from current activity of the Bank;
- 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 Division function is responsible for the management of liquidity and funding risk of the Bank and Risk Management Division has responsibilities for liquidity risk monitoring and controlling, as defined in the liquidity and funding strategies.

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

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

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

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

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

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

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

The main tools used for stress conditions are:

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

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as at 31 December 2023 as follows:

Group

In RON thousand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Without maturity	Total
Financial Assets						
Cash and cash with Central Bank	13,867,449	–	–	–	–	13,867,449
Loans and advances to banks at amortized cost	281,043	151,253	50,098	2,242	4	484,640
Derivative assets held for risk management	1,799	2,411	13,975	–	–	18,185
Trading assets	7,367	7,145	118,965	47,839	–	181,316
Financial assets mandatorily at fair value through profit or loss	32,357	3,859	23,138	100,520	18,553	178,427
Investment securities at fair value through other comprehensive income	95,804	918,901	1,179,074	531,427	–	2,725,206
Equity instruments at fair value through other comprehensive income	–	–	–	–	90,579	90,579
Loans and advances to customers at amortized cost	3,890,583	9,250,380	17,971,252	10,624,538	76,481	41,813,234
Derivatives asset – hedge accounting	–	–	35,729	2,064	–	37,793
Investment securities at amortized cost	151,511	1,068,953	4,660,051	4,146,106	–	10,026,621
Other assets	193,483	154	–	–	–	193,637
Total financial assets	**18,521,396**	**11,403,056**	**24,052,282**	**15,454,736**	**185,617**	**69,617,087**
Financial liabilities						
Trading liabilities	7,456	1,861	123	–	–	9,440
Derivative liabilities held for risk management	297	378	–	–	–	675
Deposits from banks	435,001	484	–	–	59,443	494,928
Deposits from customers	46,585,130	7,270,762	294,374	249,972	–	54,400,238
Loans from banks and other financial institutions	345	38,779	93,444	355,990	–	488,558
Fair value changes of the hedged items – liability	4,940	–	–	–	–	4,940
Derivatives – hedge accounting	–	–	709	–	–	709
Debt securities issued	36,577	–	5,037,234	481,193	–	5,555,004
Subordinated loans	–	–	125,050	201,065	–	326,115
Other liabilities	1,279,326	61,537	174,383	3,100	–	1,518,346
Total financial liabilities	**48,349,072**	**7,373,801**	**5,725,317**	**1,291,320**	**59,443**	**62,798,953**
Maturity surplus/(shortfall)	**(29,827,676)**	**4,029,255**	**18,326,965**	**14,163,416**	**126,174**	**6,818,134**

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

Group

In RON thousand	Up to 3 months	3 Months to 1 year	1 year to 5 years	Over 5 years	Without maturity	Total
Financial assets						
Cash and cash with Central Bank	8,281,451	–	–	–	–	8,281,451
Loans and advances to banks at amortized cost	187,267	50,130	84,897	–	1,249	323,543
Derivative assets held for risk management	–	1,927	11,854	–	–	13,781
Trading assets	–	13,294	44,107	21,443	14,458	93,302
Financial assets mandatorily at fair value through profit or loss	9,671	3,753	23,156	117,355	30,523	184,458
Investment securities at fair value through other comprehensive income	11,016	761,876	1,769,124	563,382	–	3,105,398
Equity instruments at fair value through other comprehensive income	–	–	–	–	71,488	71,488
Loans and advances to customers at amortized cost	3,798,637	8,591,910	16,112,826	11,285,465	62,731	39,851,569
Derivatives asset – hedge accounting	–	–	5,137	3,218	–	8,355
Investment securities at amortized cost	630	2,207,378	4,679,486	2,313,360	–	9,200,854
Other assets	290,746	129	–	–	–	290,875
Total financial assets	**12,579,418**	**11,630,397**	**22,730,587**	**14,304,223**	**180,449**	**61,425,074**
Financial Liabilities						
Trading liabilities	13,797	1,649	12,269	–	–	27,715
Derivative liabilities held for risk management	2,804	2,122	934	–	–	5,860
Deposits from banks	578,106	–	–	–	–	578,106
Deposits from customers	43,890,330	4,847,983	384,793	110,462	–	49,233,568
Loans from banks and other financial institutions	–	36,005	87,386	261,947	4,947	390,285
Derivatives – hedge accounting	–	–	–	–	–	–
Fair value changes of the hedged items – liability	11,398	–	–	–	–	11,398
Debt securities issued	–	–	2,175,977	1,711,831	–	3,887,808
Subordinated loans	–	–	124,375	199,351	–	323,726
Other liabilities	1,083,148	62,632	172,663	3,136	–	1,321,579
Total financial liabilities	**45,579,583**	**4,950,391**	**2,958,397**	**2,286,727**	**4,947**	**55,780,045**
Maturity surplus/(shortfall)	**(33,000,165)**	**6,680,006**	**19,772,190**	**12,017,496**	**175,502**	**5,645,029**

The financial assets and liabilities analyzed over the remaining period from the balance sheet date to contractual maturity are as of 31 December 2023 as follows:

Bank

In RON thousand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Without maturity	Total
Financial assets						
Cash and cash with Central Bank	13,802,815	–	–	–	–	13,802,815
Loans and advances to banks at amortized cost	279,614	151,253	50,098	14,292	–	495,257
Derivative assets held for risk management	1,799	2,411	13,975	–	–	18,185
Trading assets	7,367	7,145	118,965	47,839	–	181,316
Financial assets mandatorily at fair value through profit or loss	10,043	3,859	23,138	100,520	18,553	156,113
Investment securities at fair value through other comprehensive income	75,476	918,901	1,179,074	531,427	–	2,704,878
Equity instruments at fair value through other comprehensive income	–	–	–	–	90,579	90,579
Loans and advances to customers at amortized cost	3,675,061	9,164,342	18,142,758	10,277,276	–	41,259,437
Derivatives asset – hedge accounting	–	–	35,729	2,064	–	37,793
Investment securities at amortized cost	149,776	1,057,164	4,660,051	4,146,106	–	10,013,097
Other assets	161,302	–	–	–	–	161,302
Total financial assets	**18,163,253**	**11,305,075**	**24,223,788**	**15,119,524**	**109,132**	**68,920,772**
Financial Liabilities						
Trading liabilities	7,456	1,861	123	–	–	9,440
Derivative liabilities held for risk management	297	378	–	–	–	675
Deposits from banks	435,001	484	–	–	59,443	494,928
Deposits from customers	46,679,120	7,266,522	293,265	249,964	–	54,488,871
Loans from banks and other financial institutions	346	518	881	–	–	1,745
Fair value changes of the hedged items – liability	4,940	–	–	–	–	4,940
Derivatives – hedge accounting	–	–	709	–	–	709
Debt securities issued	36,577	–	5,037,234	481,193	–	5,555,004
Subordinated loans	–	–	125,050	200,965	–	326,015
Other liabilities	1,245,880	60,660	171,487	3,100	–	1,481,127
Total financial liabilities	**48,409,617**	**7,330,423**	**5,628,749**	**935,222**	**59,443**	**62,363,454**
Maturity surplus/(shortfall)	**(30,246,364)**	**3,974,652**	**18,595,039**	**14,184,302**	**49,689**	**6,557,318**

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

Bank

In RON thousand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Without maturity	Total
Financial assets						
Cash and cash with Central Bank	8,280,853	–	–	–	–	8,280,853
Loans and advances to banks at amortized cost	75,446	50,130	149,370	11,905	–	286,851
Derivative assets held for risk management	–	1,927	11,854	–	–	13,781
Trading assets	–	13,294	44,107	21,443	14,458	93,302
Financial assets mandatorily at fair value through profit or loss	9,671	3,753	23,156	117,355	16,478	170,413
Investment securities at fair value through other comprehensive income	1,123	761,876	1,769,125	563,382	–	3,095,506
Equity instruments at fair value through other comprehensive income	–	–	–	–	71,488	71,488
Loans and advances to customers at amortized cost	3,622,101	8,543,918	16,233,703	10,967,793	–	39,367,515
Derivatives asset – hedge accounting	–	–	5,137	3,218	–	8,355
Investment securities at amortized cost	599	2,153,812	4,662,031	2,313,360	–	9,129,802
Other assets	268,432	–	–	–	–	268,432
Total financial assets	**12,258,225**	**11,528,710**	**22,898,483**	**13,998,456**	**102,424**	**60,786,298**
Financial Liabilities						
Trading liabilities	13,797	1,649	12,269	–	–	27,715
Derivative liabilities held for risk management	2,804	2,122	934	–	–	5,860
Deposits from banks	578,106	–	–	–	–	578,106
Deposits from customers	43,877,470	4,909,719	383,678	110,451	–	49,281,318
Loans from banks and other financial institutions	–	–	3,943	–	–	3,943
Derivatives – hedge accounting	–	–	–	–	–	–
Fair value changes of the hedged items – liability	11,398	–	–	–	–	11,398
Debt securities issued	–	–	2,175,977	1,711,831	–	3,887,808
Subordinated loans	–	–	124,375	199,303	–	323,678
Other liabilities	1,043,802	61,800	171,649	3,103	–	1,280,354
Total financial liabilities	**45,527,377**	**4,975,290**	**2,872,825**	**2,024,688**	**–**	**55,400,180**
Maturity surplus/(shortfall)	**(33,269,152)**	**6,553,420**	**20,025,658**	**11,973,768**	**102,424**	**5,386,118**

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 and generates a positive gap on the other intervals (higher than 3 months). In practice the negative gap in the first bucket does not represent outflows as most customer deposits are rolled over or replaced by new deposits.

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

Group:
The negative liquidity gap for the first band increased in 2023 by RON 3,172,489 thousand compared to 2022, being mainly determined by the increase of cash and cash with Central Bank by RON 5,585,998 thousand compared to 2022, partially compensated by the increase in deposits from customers in the first maturity by RON 2,694,800 thousand).

As for the other maturity bands, on the 3 months-1 year tenor, the liquidity surplus decreased by RON 2,650,751 thousand, as a result of the increase in deposits from customers on this bucket by RON 2,422,779 thousand. On the maturity band of 1-5 years, the liquidity surplus decreased by RON 1,445,225 thousand. The main factor of influence was represented by the debt securities issued which increased by RON 2,861,257 thousand on this maturity band, correlated with the decrease of investment securities at fair value through other comprehensive income by RON 590,050 thousand, the effect from these 2 elements being partially offset by the increase of loans and advances to customers by RON 1,858,426 thousands. On the maturity band of over 5 years, the liquidity surplus increased by RON 2,145,920 thousand, being mainly influenced by the increase in investment securities at amortised cost by RON 1,832,746 thousand on this maturity band.

Bank:
The negative liquidity gap for the first band increased in 2023 by RON 3,172,489 thousand compared to 2022, being mainly determined by the increase of cash and cash with Central Bank by RON 5,585,998 thousand compared to 2022, partially compensated by the increase in deposits from customers in the first maturity by RON 2,694,800 thousand).

As for the other maturity bands, on the 3 months-1 year tenor, the liquidity surplus decreased by RON 2,650,751 thousand, as a result of the increase in deposits from customers on this bucket by RON 2,422,779 thousand. On the maturity band of 1-5 years, the liquidity surplus decreased by RON 1,445,225 thousand. The main factor of influence was represented by the debt securities issued which increased by RON 2,861,257 thousand on this maturity band, correlated with the decrease of investment securities at fair value through other comprehensive income by RON 590,050 thousand, the effect from these 2 elements being partially offset by the increase of loans and advances to customers by RON 1,858,426 thousands. On the maturity band of over 5 years, the liquidity surplus increased by RON 2,145,920 thousand, being mainly influenced by the increase in investment securities at amortised cost by RON 1,832,746 thousand on this maturity band.

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2023 are as follows:

Group

In RON thousand	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial Liabilities						
Net settled trading liabilities	–	–	11	123	–	134
Gross settled trading liabilities	166,357	287,268	472,817	–	–	926,442
Net settled derivative liabilities held for risk management	–	–	87	–	–	87
Deposits from banks	484,444	–	10,484	–	–	494,928
Deposits from customers	39,857,464	6,796,001	7,454,476	307,403	313,602	54,728,946
Loans from banks and other financial institutions	6	30,429	69,447	318,758	–	418,640
Debt securities issued	–	11,830	363,568	6,118,637	526,340	7,020,375
Subordinated loans	1,030	4,323	15,221	179,108	203,749	403,431
Lease liabilities	10,439	15,924	62,693	182,851	3,492	275,399
Total financial liabilities	**40,519,740**	**7,145,775**	**8,448,804**	**7,106,880**	**1,047,183**	**64,268,382**
Undrawn commitments	2,164,671	1,453,556	4,970,774	5,538,137	1,598,317	15,725,455
Financial guarantees and Letters of credit	501,669	1,271,880	1,024,997	896,533	1,144,055	4,839,134
Other financial guarantees	793	782	25,326	9,502	13,118	49,521
Total commitments and guarantees	**2,667,133**	**2,726,218**	**6,021,097**	**6,444,172**	**2,755,490**	**20,614,110**
Contractual amounts receivable	1,026,723	232,979	49,746	–	–	1,309,448
Contractual amounts payable	(1,026,402)	(232,502)	(50,985)	–	–	(1,309,889)
Gross settled derivative liabilities held for risk management	**321**	**477**	**(1,239)**	**–**	**–**	**(441)**

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

Group

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

Financial liabilities analyzed over the remaining period from the reporting date, using undiscounted cash flows as of 31 December 2023 are as follows:

Bank

In RON thousand	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial Liabilities						
Net settled trading liabilities	–	–	11	123	–	134
Gross settled trading liabilities	166,357	287,268	472,817	–	–	926,442
Net settled derivative liabilities held for risk management	–	–	87	–	–	87
Deposits from banks	484,444	–	10,484	–	–	494,928
Deposits from customers	39,846,448	6,896,767	7,453,367	307,395	313,602	54,817,579
Loans from banks and other financial institutions	6	–	–	1,739	–	1,745
Debt securities issued	–	11,830	363,568	6,118,637	526,340	7,020,375
Subordinated loans	1,030	4,323	15,221	179,008	203,749	403,331
Lease liabilities	10,439	15,924	62,693	180,023	3,492	272,571
Total financial liabilities	**40,508,724**	**7,216,112**	**8,378,248**	**6,786,925**	**1,047,183**	**63,937,192**
Undrawn commitments	2,164,831	1,440,762	4,952,501	5,485,437	1,594,068	15,637,599
Financial guarantees and Letters of credit	501,669	1,271,880	1,024,997	896,533	1,144,055	4,839,134
Other financial guarantees	793	782	25,326	9,502	13,118	49,521
Total commitments and guarantees	**2,667,293**	**2,713,424**	**6,002,824**	**6,391,472**	**2,751,241**	**20,526,254**
Contractual amounts receivable	1,026,723	232,979	49,746	–	–	1,309,448
Contractual amounts payable	(1,026,402)	(232,502)	(50,985)	–	–	(1,309,889)
Gross settled derivative liabilities held for risk management	**321**	**477**	**(1,239)**	**–**	**–**	**(441)**

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

Bank

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

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 2023, the VaR model used by the Group is based upon a 99% confidence level and assumes a 1 day holding period.

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

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

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

A summary of the VaR position of the Group's trading portfolios at December 31, 2023 and 2022 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
2023				
Foreign currency risk*	31	57	414	10
Interest-rate risk	592	521	1,354	106
Total	**623**	**578**	**1,768**	**116**
2022				
Foreign currency risk*	79	51	394	7
Interest-rate risk	185	716	3,267	185
Total	**264**	**767**	**3,661**	**192**

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

A summary of the VaR position of the Bank's trading portfolios at December 31, 2023 and 2022 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
2023				
Foreign currency risk*	26	57	414	10
Interest-rate risk	592	521	1,354	106
Total	**618**	**578**	**1,768**	**116**
2022				
Foreign currency risk*	78	51	394	7
Interest-rate risk	185	716	3,267	185
Total	**263**	**767**	**3,661**	**192**

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

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

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

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

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

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

A summary of the Group's interest rate gap position on non-trading portfolios as at 31 December 2023 is as follows:

Group

In RON thousand	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and cash with Central Bank	12,003,878	–	–	–	1,863,571	13,867,449
Loans and advances to banks at amortized cost	479,464	–	–	5,172	4	484,640
Financial assets mandatorily at fair value through profit or loss	20,036	112,543	4,965	16	40,867	178,427
Investment securities at fair value through other comprehensive income	147,859	1,019,741	1,081,990	475,616	–	2,725,206
Loans and advances to customers at amortized cost	25,507,561	8,165,471	7,429,826	710,376	–	41,813,234
Investment securities at amortized cost	109,703	1,337,149	4,580,181	3,999,588	–	10,026,621
	38,268,501	**10,634,904**	**13,096,962**	**5,190,768**	**1,904,442**	**69,095,577**
Liabilities						
Deposits from banks	455,053	3,618	16,712	19,545	–	494,928
Deposits from customers	27,442,032	10,124,907	11,554,694	5,278,605	–	54,400,238
Loans from banks and other financial institutions	439,254	17,125	32,179	–	–	488,558
Debt securities issued	481,193	108,326	4,965,485	–	–	5,555,004
Subordinated loans	201,750	–	124,365	–	–	326,115
	29,019,282	**10,253,976**	**16,693,435**	**5,298,150**	**–**	**61,264,843**
Effect of derivatives held for risk management purposes	(1,360,177)	(74,369)	1,464,939	(29,848)	–	545
Net position	**7,889,042**	**306,559**	**(2,131,534)**	**(137,230)**	**1,904,442**	**7,831,279**

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

Group

In RON thousand	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and cash with Central Bank	6,729,230	–	–	–	1,552,221	8,281,451
Loans and advances to banks at amortized cost	323,538	–	–	–	5	323,543
Financial assets mandatorily at fair value through profit or loss	27,751	122,891	3,057	236	30,523	184,458
Investment securities at fair value through other comprehensive income	110,033	868,477	1,683,624	443,264	–	3,105,398
Loans and advances to customers at amortized cost	23,559,946	7,152,632	7,801,863	1,337,126	2	39,851,569
Investment securities at amortized cost	43,498	2,299,158	4,600,387	2,257,811	–	9,200,854
	30,793,996	**10,443,158**	**14,088,931**	**4,038,437**	**1,582,751**	**60,947,273**
Liabilities						
Deposits from banks	578,106	–	–	–	–	578,106
Deposits from customers	20,372,360	9,193,625	19,557,121	110,462	–	49,233,568
Loans from banks and other financial institutions	306,459	27,082	56,744	–	–	390,285
Debt securities issued	481,374	84,423	2,116,584	1,205,427	–	3,887,808
Subordinated loans	200,041	–	123,685	–	–	323,726
	21,938,340	**9,305,130**	**21,854,134**	**1,315,889**	**–**	**54,413,493**
Effect of derivatives held for risk management purposes	158,036	25,000	(149,993)	(29,684)	–	3,359
Net position	**9,013,692**	**1,163,028**	**(7,915,196)**	**2,692,864**	**1,582,751**	**6,537,139**

A summary of the Bank's interest rate gap position on non-trading portfolios as at 31 December 2023 is as follows:

Bank

In RON thousand	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and cash with Central Bank	11,939,260	–	–	–	1,863,555	13,802,815
Loans and advances to banks at amortized cost	490,085	–	–	5,172	–	495,257
Financial assets mandatorily at fair value through profit or loss	20,036	112,543	4,965	16	18,553	156,113
Investment securities at fair value through other comprehensive income	147,859	999,413	1,081,990	475,616	–	2,704,878
Loans and advances to customers at amortized cost	25,116,526	8,109,423	7,324,696	708,792	–	41,259,437
Investment securities at amortized cost	108,069	1,330,610	4,574,830	3,999,588	–	10,013,097
	37,821,835	**10,551,989**	**12,986,481**	**5,189,184**	**1,882,108**	**68,431,597**
Liabilities						
Deposits from banks	455,053	3,618	16,712	19,545	–	494,928
Deposits from customers	27,532,366	10,124,322	11,553,585	5,278,598	–	54,488,871
Loans from banks and other financial institutions	322	335	1,088	–	–	1,745
Debt securities issued	481,193	108,326	4,965,485	–	–	5,555,004
Subordinated loans	201,650	–	124,365	–	–	326,015
	28,670,584	**10,236,601**	**16,661,235**	**5,298,143**	**–**	**60,866,563**
Effect of derivatives held for risk management purposes	(1,360,177)	(74,369)	1,464,939	(29,848)	–	545
Net position	**7,791,074**	**241,019**	**(2,209,815)**	**(138,807)**	**1,882,108**	**7,565,579**

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

Bank

In RON thousand	Less than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and cash with Central Bank	6,728,647	–	–	–	1,552,206	8,280,853
Loans and advances to banks at amortized cost	286,851	–	–	–	–	286,851
Financial assets mandatorily at fair value through profit or loss	27,751	122,891	3,057	236	16,478	170,413
Investment securities at fair value through other comprehensive income	110,034	858,584	1,683,624	443,264	–	3,095,506
Loans and advances to customers at amortized cost	23,260,173	7,086,673	7,684,241	1,336,428	–	39,367,515
Investment securities at amortized cost	37,902	2,245,391	4,588,698	2,257,811	–	9,129,802
	30,451,358	**10,313,539**	**13,959,620**	**4,037,739**	**1,568,684**	**60,330,940**
Liabilities						
Deposits from banks	578,106	–	–	–	–	578,106
Deposits from customers	20,421,770	9,193,091	19,556,006	110,451	–	49,281,318
Loans from banks and other financial institutions	254	1,676	2,013	–	–	3,943
Debt securities issued	481,374	84,423	2,116,584	1,205,427	–	3,887,808
Subordinated loans	199,993	–	123,685	–	–	323,678
	21,681,497	**9,279,190**	**21,798,288**	**1,315,878**	**–**	**54,074,853**
Effect of derivatives held for risk management purposes	158,036	25,000	(149,993)	(29,684)	–	3,359
Net position	**8,927,897**	**1,059,349**	**(7,988,661)**	**2,692,177**	**1,568,684**	**6,259,446**

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

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

An analysis of the Group's sensitivity of the economic value of banking book assets and liabilities to interest rates movements (under a defined set of interest rate scenarios) is as follows:

In RON thousand

Applied shock on Economic Value of Equity	2023	2022
Parallel +200bp	156	406
Parallel -200bp	163	453
Steepening 5Y +200bp	133	358
Flattening 5Y -200bp	157	401
Flattening 1D +200bp	97	49
Steepening 1D -200bp	**99**	**50**
Minimum impact*	97	45
Maximum impact*	284	453

* maximum/minimum impact in the financial year

An analysis of the Bank's sensitivity of the economic value of banking book assets and liabilities to interest rates movements (under a defined set of interest rate scenarios) is as follows:

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Applied shock on Economic Value of Equity	2023	2022
Parallel +200bp	155	405
Parallel -200bp	167	452
Steepening 5Y +200bp	136	358
Flattening 5Y -200bp	161	402
Flattening 1D +200bp	95	48
Steepening 1D -200bp	**97**	**49**
Minimum impact*	95	42
Maximum impact*	281	452

* maximum/minimum impact in the financial year

According to EBA requirements (EBA/GL/2022/14) and NBR requirements (Regulation no. 5/2013), measurement and monitoring of interest rate risk in the banking book is done based on two approaches: economic value and net interest income (NII) volatility.

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

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

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

Bank

In RON million

Applied shock on Net Interest Income*	2023	2022
Parallel +200 bp	158	152
Parallel -200 bp	(355)	(377)
Steepening 5Y +200 bp	36	40
Flattening 5Y -200 bp	(42)	(46)
Flattening 1D +200 bp	122	113
Steepening 1D -200 bp	(312)	(329)
Maximum positive impact**	183	285
Maximum negative impact**	(373)	(446)

* 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.
** maximum/minimum impact in the financial year

The interest rates related to the local currency and the major foreign currencies as at 31 December 2023 and 2022 were as follows:

Currencies	Interest rate	31 December 2023	31 December 2022
RON	ROBOR 3 months	6.22%	7.57%
EUR	EURIBOR 3 months	3.91%	2.16%
EUR	EURIBOR 6 months	3.86%	2.73%
USD	LIBOR 6 months	5.16%	5.14%

IBOR reform

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

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

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

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

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

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

In addition, the amendments also relate to hedge accounting. Based on the relief, adjustments relating to the IBOR reform do not result in the termination of the recognition of an existing hedging relationship in the financial statements. Instead, hedging relationships and the corresponding documentation are changed to reflect the new conditions.

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

Management and supervisory board members were regularly informed about the progress of the relevant processes and the associated risks. The replacement of most reference interest rates on January 1st 2022 did not have any major implications. For the replacement of the USD LIBOR interest rates, which were discontinued starting with July 1st, 2023, the corresponding preparatory steps and transitional work have since been included in the regular operations of the affected areas.

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

The following table shows the average interest rates per annum obtained or offered by the Group for its interest-earning assets and interest-bearing liabilities during the 2023 financial year:

Group

	Average interest rate		
	RON	EUR	USD
Assets			
Current accounts with National Bank of Romania	0.74%	0.07%	0.28%
Loans and advances to banks at amortized cost	2.84%	3.25%	4.84%
Trading assets	4.88%	2.19%	0.00%
Financial assets mandatorily at fair value through profit or loss	9.26%	8.91%	N/A
Investment securities at fair value through other comprehensive income	3.64%	2.79%	N/A
Loans and advances to customers at amortized cost	7.06%	4.12%	3.23%
Investment securities at amortized cost	4.94%	1.53%	N/A
Liabilities			
Deposits from banks	5.64%	0.5%	0.00%
Deposits from customers	2.38%	1.04%	1.04%
Loans from banks and other financial institutions	1.25%	0.00%	N/A
Debt securities issued	5.59%	6.65%	N/A
Subordinated loans	N/A	6.04%	N/A

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

Group

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

The following table shows the average interest rates per annum obtained or offered by the Bank for its interest-earning assets and interest-bearing liabilities during the 2023 financial year:

Bank

	Average interest rate		
	RON	EUR	USD
Assets			
Current accounts with National Bank of Romania	0.74%	0.07%	0.28%
Loans and advances to banks at amortized cost	2.84%	3.25%	4.84%
Trading assets	4.88%	2.19%	0.00%
Financial assets mandatorily at fair value through profit or loss	9.26%	8.91%	N/A
Investment securities at fair value through other comprehensive income	3.64%	2.79%	N/A
Loans and advances to customers at amortized cost	7.06%	4.12%	3.23%
Investment securities at amortized cost	4.94%	1.53%	N/A
Liabilities			
Deposits from banks	5.64%	0.5%	0.00%
Deposits from customers	2.38%	1.04%	1.04%
Loans from banks and other financial institutions	1.25%	0.00%	N/A
Debt securities issued	5.59%	6.65%	N/A
Subordinated loans	N/A	6.04%	N/A

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

Bank

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

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2023 are presented below:

Group

In RON thousand	RON	USD	EUR	Other	Total
Monetary assets					
Cash and cash with Central Bank	10,613,248	14,942	3,232,806	6,453	13,867,449
Loans and advances to banks at amortized cost	87,254	26,043	368,560	2,783	484,640
Derivative assets held for risk management	15,083	–	3,035	67	18,185
Trading assets	139,015	–	42,301	–	181,316
Financial assets mandatorily at fair value through profit or loss	135,535	18,553	8,034	16,305	178,427
Investment securities at fair value through other comprehensive income	2,380,278	18	344,910	–	2,725,206
Equity instruments at fair value through other comprehensive income	24,798	65,781	–	–	90,579
Investment in subsidiaries, associates and joint ventures	18,853	–	–	–	18,853
Loans and advances to customers at amortized cost*	28,539,624	696,023	12,427,526	150,061	41,813,234
Derivatives asset – hedge accounting	559	–	37,234	–	37,793
Investment securities at amortized cost	8,414,356	191,093	1,421,172	–	10,026,621
Other assets	143,161	783	49,497	195	193,636
Total monetary assets	**50,511,764**	**1,013,236**	**17,935,075**	**175,864**	**69,635,939**
Monetary liabilities					
Trading liabilities	9,271	–	169	–	9,440
Derivative liabilities held for risk management	87	97	291	200	675
Deposits from banks	441,124	105	53,183	516	494,928
Deposits from customers	36,333,993	2,055,742	15,773,533	236,970	54,400,238
Loans from banks and other financial institutions	8,603	–	479,955	–	488,558
Derivatives – hedge accounting	709	–	–	–	709
Fair value changes of the hedged items – liability	4,940	–	–	–	4,940
Other liabilities	630,264	89,665	783,919	14,498	1,518,346
Debt securities issued	4,007,815	–	1,547,189	–	5,555,004
Subordinated loans	100	–	326,015	–	326,115
Total monetary liabilities	**41,436,906**	**2,145,609**	**18,964,254**	**252,184**	**62,798,953**
Net currency position	**9,074,858**	**(1,132,373)**	**(1,029,179)**	**(76,320)**	**6,836,986**

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

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

Group

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

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

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2023 are presented below:

Bank

In RON thousand	RON	USD	EUR	Other	Total
Monetary assets					
Cash and cash with Central Bank	10,548,620	14,939	3,232,803	6,453	13,802,815
Loans and advances to banks at amortized cost	99,482	26,031	366,961	2,783	495,257
Derivative assets held for risk management	15,083	–	3,035	67	18,185
Trading assets	139,015	–	42,301	–	181,316
Financial assets mandatorily at fair value through profit or loss	113,221	18,553	8,034	16,305	156,113
Investment securities at fair value through other comprehensive income	2,359,950	18	344,910	–	2,704,878
Equity instruments at fair value through other comprehensive income	24,798	65,781	–	–	90,579
Investment in subsidiaries, associates and joint ventures	110,475	–	–	–	110,475
Loans and advances to customers at amortized cost*	28,428,090	696,023	11,985,263	150,061	41,259,437
Derivatives – hedge accounting	559	–	37,234	–	37,793
Investment securities at amortized cost	8,400,832	191,093	1,421,172	–	10,013,097
Other assets	119,255	783	41,069	195	161,302
Total monetary assets	**50,359,380**	**1,013,221**	**17,482,782**	**175,864**	**69,031,247**
Monetary liabilities					
Trading liabilities	9,271	–	169	–	9,440
Derivative liabilities held for risk management	87	97	291	200	675
Deposits from banks	441,124	105	53,183	516	494,928
Deposits from customers	36,375,122	2,055,742	15,821,037	236,970	54,488,871
Loans from banks and other financial institutions	1,745	–	–	–	1,745
Derivatives – hedge accounting	709	–	–	–	709
Fair value changes of the hedged items – liability	4,940	–	–	–	4,940
Other liabilities	613,821	89,651	763,157	14,498	1,481,127
Debt securities issued	4,007,815	–	1,547,189	–	5,555,004
Subordinated loans	–	–	326,015	–	326,015
Total monetary liabilities	**41,454,634**	**2,145,595**	**18,511,041**	**252,184**	**62,363,454**
Net currency position	**8,904,746**	**(1,132,374)**	**(1,028,259)**	**(76,320)**	**6,667,793**

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

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

Bank

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

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

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 behavior. Operational risks arise from all of the Group's operations and are faced by all business entities. This definition includes legal risk, but excludes strategic and reputational risk.

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

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

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

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

f) Capital management

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

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

Capital allocation

a) Credit risk: starting with July 1st, 2009, the method for the risk weighted assets applied by the Group is internal ratings based approach for Raiffeisen Bank non-retail exposures. Starting with December 1st, 2013, Raiffeisen Bank received National Bank of Romania approval for calculating capital requirements for credit risk related to retail portfolio using advanced internal ratings based approach (AIRB). For the subsidiaries and for some specific portfolio, based on regulatory approval received (main portfolios are sovereign and municipalities) the method used is 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 December 31, 2023 and 2022, being above the minimum required values. For actual capital ratios, refer to Note 42.

6. Use of estimates and judgments

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

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

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

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

First scenario assumes changes in loss given default and price guarantees for retail real estate portfolio for the entire portfolio, taking into account a variation of +/-5%. In this scenario the provision for loan impairment loss would have been increased by RON 9,323 thousand (2022: increased by RON 34,905 thousand) or decreased by RON 9,070 thousand (2022: decreased by RON 36,592 thousand).

Second scenario assumes PD variation of +/-5%. In this scenario the provision for loan impairment loss would have been increased by RON 12,806 thousand (2022: increased by RON 19,031 thousand) or decreased by RON 13,931 thousand (2022: decreased by RON 19,871 thousand).

Third scenario assumes changes of scenario weights from 25/50/25 to 25/25/50 and 50/25/25. In this scenario the provision for loan impairment loss would have been increased by RON 3,529 thousand (2022: increased by RON 30,282 thousand) or decreased by RON 2,625 thousand (2022: decreased by RON 23,358 thousand).

Parameters change by +/-5% is done in relation to the values used in provision calculation for December 31, 2023 figures (December 31, 2022).

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

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

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

Environmental, Social and Corporate Governance (ESG)
In 2021 the ESG governance structures were created to manage and supervise the integration of its principles (Environment, Social, Governance) in the activity of the Bank and further in 2023, the Bank enhanced its governance structure by setting up a new ESG & Sustainability Directorate, reporting directly to the CEO.

The sustainability objectives established in 2023 were:
a) Developed in line with the Sustainability Strategy of the Raiffeisen Bank International Group;
b) Set for each focus area of the Sustainability Strategy: Business, Human Resources, Impact on the environment and Society;
c) Established after consultations with the departments involved and address those areas where the Bank has an impact, at the same time proposing to align the business objectives with the sustainable development of Society.

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

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

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

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

Market development

The difficult conditions caused by the war in Ukraine continued to be a challange for Raiffeisen Bank Romania despite the fact that direct exposure of the Bank towards Ukraine, Russia and Belarus remained close to nil. All exposures connected to the above mentioned countries are being monitored closely and managed attentively.

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

A potential negative impact upon the economic environment in which the Bank operates, its financial position and performance for the medium term, cannot be ruled out. Management closely monitors any developments and is prepared to take appropriate measures. These possible future measures, adopted by the Bank, could concern the areas of accounting estimates and methods of calculating loss allowances and provisions for credit risk according to IFRS 9.

The national aid package of state guarantees and interest subsidies to support the financing of the SME sector under the IMM INVEST program (and the subprograms and program components, all related to the state aid scheme initiated to combat the effects of the COVID-19 pandemic) and IMM INVEST PLUS (and program components, related to the state aid scheme that supports companies affected by the effects of the war in Ukraine for the year 2023) was worth 26.1 billion RON. Within them, the eligible clients received grants in the form of interest for the financing from these programs/subprograms, subsidizing the commissions related to the financing and, for part of the IMM INVEST subprograms, a non-refundable component of 10% of the used value of the financing. On December 31, 2023, the Bank held a number of 4,630 active contracts, with a financed value of 4.3 billion RON.

The methodology of Non-retail impairment estimation was revised and adapted periodically to support a prudent approach and to capture the expected credit risk evolution by monitoring the current economic environment. During 2023, Non-Retail impairment methodology was revised as follows:

- SRF 'refinancing risk' was implemented in April 2023 for specialised lending/real estate financing in order to consider risks faced by financial market (elevated interest rates, tightening of credit standards) which might impact on debtors' capacity to refinance large balloon/bullet loans;
- Reversal of SRF 'Energy and raw material increased prices' in November 2023, taking into account: proven resilience of the debtors potentially vulnerable to energy, supportive legislative package in place, lower price volatility as prices of electricity and natural gas are capped until March 2025, the additional potential loss regarding vulnerable portfolio to raw material increased prices was already offset (stage 3 transfer or incorporated in reviewed ratings). The entire portfolio (including the one subject to the current SRF 'Energy and raw material increased prices') was reviewed for sensitivity to risk factors that are more relevant within the current economic environment (new fiscal measures);
- Implementation of SRF 'fiscal measures' in November 2023, considering the risks faced by companies potentially affected by the new fiscal package introduced by Romanian government to reduce the fiscal deficit, considering the impact on the companies which are in the scope of the new tax (minimum turnover tax for entities with turnover higher than 50mn EUR, additional tax for companies activating in oil and gas) as well as the potential waterfall effect of the new fiscal measures on all companies from the inflationary impact foreseen by specialists from the fiscal package and higher personnel expenses by increased minimum wage;
- Reviewing and maintaining SRF 'Office RE' since no significant changes in the outlook of the office market was noticed from the implementation: vacancy rate scored a modest decline in the first half of 2023, while short term perspectives of the market are still challenging and dependent on overall performance of the economy which might impact on leasing demand;
- Updating parameters, macroeconomic scenarios and industry risk classification.

Compared to 2022, the cumulated effect of the measures described above is a release of EUR 1.6 million in provision amount for Stage 1 & 2 Non-retail portfolio.

The methodology of Retail impairment calculation was revised and adapted periodically to support a prudent approach and to capture the expected credit risk evolution by monitoring the current economic environment. During 2023, Retail impairment methodology was revised as follows:

- Stage 3 Recovery' PMA implementation starting February 2023, in order to maintain an adequate provisioning coverage;
- Reviewing and maintaining 'Inflation' PMA for PI portfolio in December and PMA release for Micro portfolio in November;
- 'Fiscal measures' PMA implementation in November 2023, considering the potential risks and challenges faced by Micro clients due to new fiscal measures adopted in Q4 2023.

The cumulated effect as of December 31, 2023 for the measures described above is an allocation of EUR 7 millions on Retail Stage 2 provisions (EUR 6.1 millions for PI loans and EUR 0.9 millions for Micro loans) and EUR 14 millions for Stage 3 PI loans.

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 2023

	Note	Level 1	Level 2	Level 3	Total	Carrying amount
Finanial assets						
Financial instruments measured at fair value						
Trading assets, out of which:	18	177,901	3,415	–	181,316	181,316
Debt securities		177,901	–	–	177,901	177,901
Foreign exchange contracts		–	3,355	–	3,355	3,355
Interest rate swaps		–	60	–	60	60
Derivative assets held for risk management	19	–	18,185	–	18,185	18,185
Financial assets mandatorily at fair value through profit or loss, out of which:	26	22,314	18,553	137,560	178,427	178,427
Loans and advances to customers		–	–	137,560	137,560	137,560
Debt securities and equity instruments		22,314	18,553	–	40,867	40,867
Investment securities at fair value through other comprehensive income, out of which:	22	1,994,966	252,967	477,273	2,725,206	2,725,206
Bonds issued by General Governments		1,994,966	–	–	1,994,966	1,994,966
Bonds issued by credit institutions		–	252,967	–	252,967	252,967
Bonds issued by other public sector		–	–	477,273	477,273	477,273
Equity instruments at fair value through other comprehensive income	23	65,781	–	24,798	90,579	90,579
Derivatives asset – hedge accounting	27	–	37,793	–	37,793	37,793
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	13,867,449	–	–	13,867,449	13,867,449
Loans and advances to banks at amortized cost	20	484,640	–	–	484,640	484,640
Loans and advances to customers at amortized cost	21	–	–	41,810,068	41,810,068	41,813,234
Investment securities at amortized cost	24	9,464,052	309,882	71,951	9,845,885	10,026,621
Other assets	28	–	–	193,637	193,637	193,637
Financial liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	–	9,440	–	9,440	9,440
Derivative liabilities held for risk management	19	–	675	–	675	675
Fair value changes of the hedged items – liability	27	–	4,940	–	4,940	4,940
Financial instruments for which fair value is disclosed						
Deposits from banks	32	494,933	–	–	494,933	494,928
Deposits from customers	33	–	–	54,346,579	54,346,579	54,400,238
Loans from banks and other financial institutions	34	–	–	488,502	488,502	488,558
Debt securities issued	34	–	5,423,599	–	5,423,599	5,555,004
Subordinated loans	34	–	–	328,008	328,008	326,115
Other liabilities	35	–	–	1,518,346	1,518,346	1,518,346

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

Group

In RON thousand						31 December 2022
	Note	Level 1	Level 2	Level 3	Total	Carrying amount
Financial assets						
Financial instruments measured at fair value						
Trading assets, out of which:	18	49,812	43,490	–	93,302	93,302
Debt securities		49,812	–	–	49,812	49,812
Foreign exchange contracts		–	42,778	–	42,778	42,778
Interest rate swaps		–	712	–	712	712
Derivative assets held for risk management	19	–	13,781	–	13,781	13,781
Financial assets mandatorily at fair value through profit or loss, out of which:	26	14,045	16,478	153,935	184,458	184,458
Loans and advances to customers		–	–	153,935	153,935	153,935
Debt securities and equity instruments		14,045	16,478	–	30,523	30,523
Investment securities at fair value through other comprehensive income, out of which:	22	2,638,819	92,943	373,636	3,105,398	3,105,398
Bonds issued by the Government of Romania		2,638,819	–	–	2,638,819	2,638,819
Bonds issued by credit institutions		–	92,943	–	92,943	92,943
Bonds issued by other public sector		–	–	373,636	373,636	373,636
Equity instruments at fair value through other comprehensive income	23	54,114	–	17,374	71,488	71,488
Derivatives asset – hedge accounting		–	8,355	–	8,355	8,355
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	8,281,451	–	–	8,281,451	8,281,451
Loans and advances to banks at amortized cost	20	323,543	–	–	323,543	323,543
Loans and advances to customers at amortized cost	21	–	–	39,772,358	39,772,358	39,851,569
Investment securities at amortized cost	24	8,000,585	351,053	75,510	8,427,148	9,200,854
Other assets	28	–	–	290,875	290,875	290,875
Financial Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	–	27,715	–	27,715	27,715
Derivative liabilities held for risk management	19	–	5,860	–	5,860	5,860
Fair value changes of the hedged items – liability	27	–	11,398	–	11,398	11,398
Derivatives – hedge accounting	27	–	–	–	–	–
Financial instruments for which fair value is disclosed						
Deposits from banks	32	578,106	–	–	578,106	578,106
Deposits from customers	33	–	–	49,147,932	49,147,932	49,233,568
Loans from banks and other financial institutions	34	–	–	390,083	390,083	390,285
Debt securities issued	34	–	3,536,005	–	3,536,005	3,887,808
Subordinated loans	34	–	–	332,555	332,555	323,726
Other liabilities	35	–	–	1,321,579	1,321,579	1,321,579

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 2023**

	Note	Level 1	Level 2	Level 3	Total	Carrying amount
Financial Assets						
Financial instruments measured at fair value						
Trading assets, out of which:	18	177,901	3,415	–	181,316	181,316
Debt securities		177,901	–	–	177,901	177,901
Foreign exchange contracts		–	3,355	–	3,355	3,355
Interest rate swaps		–	60	–	60	60
Derivative assets held for risk management	19	–	18,185	–	18,185	18,185
Financial assets mandatorily at fair value through profit or loss, out of which:	26	–	18,553	137,560	156,113	156,113
Loans and advances to customers		–	–	137,560	137,560	137,560
Debt securities and equity instruments		–	18,553	–	18,553	18,553
Investment securities at fair value through other comprehensive income, out of which:	22	1,974,638	252,967	477,273	2,704,878	2,704,878
Bonds issued by General Governments		1,974,638	–	–	1,974,638	1,974,638
Bonds issued by credit institutions		–	252,967	–	252,967	252,967
Bonds issued by other public sector		–	–	477,273	477,273	477,273
Equity instruments at fair value through other comprehensive income	23	65,781	–	24,798	90,579	90,579
Derivatives asset – hedge accounting	27	–	37,793	–	37,793	37,793
Financial instruments for which fair value is disclosed						
Cash and cash with Central Bank	17	13,802,815	–	–	13,802,815	13,802,815
Loans and advances to banks at amortized cost	20	495,257	–	–	495,257	495,257
Loans and advances to customers at amortized cost	21	–	–	41,256,270	41,256,270	41,259,437
Investment securities at amortized cost	24	9,450,902	309,883	71,951	9,832,736	10,013,097
Other assets	28	–	–	161,302	161,302	161,302
Financial Liabilities						
Financial instruments measured at fair value						
Trading liabilities	18	–	9,440	–	9,440	9,440
Derivative liabilities held for risk management	19	–	675	–	675	675
Fair value changes of the hedged items - liability	27	–	4,940	–	4,940	4,940
Financial instruments for which fair value is disclosed						
Deposits from banks	32	494,933	–	–	494,933	494,928
Deposits from customers	33	–	–	54,435,212	54,435,212	54,488,871
Loans from banks and other financial institutions	34	–	–	1,688	1,688	1,745
Debt securities issued	34	–	5,423,599	–	5,423,599	5,555,004
Subordinated loans	34	–	–	328,008	328,008	326,015
Other liabilities	35	–	–	1,481,127	1,481,127	1,481,127

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

Bank

In RON thousand — 31 December 2022

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

The below table presents the measurements categories for financial instruments:

Group

In RON thousand — 31 December 2023

	Note	Held for trading	Mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total carrying amount	Fair value
Financial assets							
Cash and cash with Central Bank	17	–	–	–	13,867,449	13,867,449	13,867,449
Trading assets	18	181,316	–	–	–	181,316	181,316
Derivative assets held for risk management	19	18,185	–	–	–	18,185	18,185
Financial assets mandatorily at fair value through profit or loss	26	–	178,427	–	–	178,427	178,427
Loans and advances to banks at amortized cost	20	–	–	–	484,640	484,640	484,640
Loans and advances to customers at amortized cost	21	–	–	–	41,813,234	41,813,234	41,810,068
Investment securities	22, 24	–	–	2,815,785	10,026,621	12,842,406	12,661,670
Derivatives asset – hedge accounting	27	37,793	–	–	–	37,793	37,793
Other assets	28	–	–	–	193,637	193,637	193,637
Total financial assets		**237,294**	**178,427**	**2,815,785**	**66,385,581**	**69,617,087**	**69,433,185**
Financial liabilities							
Trading liabilities	**18**	9,440	–	–	–	9,440	9,440
Derivative liabilities held for risk management	19	675	–	–	–	675	675
Fair value changes of the hedged items – liability	27	4,940	–	–	–	4,940	4,940
Derivatives – hedge accounting		709	–	–	–	709	709
Deposits from banks	**32**	–	–	–	494,928	494,928	494,933
Deposits from customers	33	–	–	–	54,400,238	54,400,238	54,346,579
Loans from banks and other financial institutions	34	–	–	–	488,558	488,558	488,502
Debt securities issued	34	–	–	–	5,555,004	5,555,004	5,423,599
Subordinated loans	34	–	–	–	326,115	326,115	328,008
Other liabilities	35	–	–	–	1,518,346	1,518,346	1,518,346
Total financial liabilities		**15,764**	**–**	**–**	**62,783,189**	**62,798,953**	**62,615,731**

The below table presents the measurements categories for financial instruments:

Group

In RON thousand

31 December 2022

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

The below table presents the measurements categories for financial instruments:

Bank

In RON thousand

31 December 2023

	Note	Held for trading	Manda-torily at fair value through profit or loss	Fair value through other com-prehensive income	Amortized cost	Total carrying amount	Fair value
Financial assets							
Cash and cash with Central Bank	17	–	–	–	13,802,815	13,802,815	13,802,815
Trading assets	18	181,316	–	–	–	181,316	181,316
Derivative assets held for risk management	19	18,185	–	–	–	18,185	18,185
Financial assets mandatorily at fair value through profit or loss	26	–	156,113	–	–	156,113	156,113
Loans and advances to banks at amortized cost	20	–	–	–	495,257	495,257	495,257
Loans and advances to customers at amortized cost	21	–	–	–	41,259,437	41,259,437	41,256,270
Investment securities	22, 24	–	–	2,795,457	10,013,097	12,808,554	12,628,193
Derivatives asset – hedge accounting	27	37,793	–	–	–	37,793	37,793
Other assets	28	–	–	–	161,302	161,302	161,302
Total financial assets		**237,294**	**156,113**	**2,795,457**	**65,731,908**	**68,920,772**	**68,737,244**
Financial liabilities							
Trading liabilities	18	9,440	–	–	–	9,440	9,440
Derivative liabilities held for risk management	19	675	–	–	–	675	675
Fair value changes of the hedged items – liability	27	4,940	–	–	–	4,940	4,940
Derivatives – hedge accounting	27	709	–	–	–	709	709
Deposits from banks	32	–	–	–	494,928	494,928	494,933
Deposits from customers	33	–	–	–	54,488,871	54,488,871	54,435,212
Loans from banks and other financial institutions	34	–	–	–	1,745	1,745	1,688
Debt securities issued	34	–	–	–	5,555,004	5,555,004	5,423,599
Subordinated loans	34	–	–	–	326,015	326,015	328,008
Other liabilities	35	–	–	–	1,481,127	1,481,127	1,481,127
Total financial liabilities		**15,764**	**–**	**–**	**62,347,690**	**62,363,454**	**62,180,331**

The below table presents the measurements categories for financial instruments:

Bank

In RON thousand

	Note	Held for trading	Mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total carrying amount	Fair value
							31 December 2022
Financial assets							
Cash and cash with Central Bank	17	–	–	–	8,280,853	8,280,853	8,280,853
Trading assets	18	93,302	–	–	–	93,302	93,302
Derivative assets held for risk management	19	13,781	–	–	–	13,781	13,781
Financial assets mandatorily at fair value through profit or loss	26	–	170,413	–	–	170,413	170,413
Loans and advances to banks at amortized cost	20	–	–	–	286,851	286,851	286,851
Loans and advances to customers at amortized cost	21	–	–	–	39,367,515	39,367,515	39,288,304
Derivatives asset – hedge accounting		8,355	–	–	–	8,355	8,355
Investment securities	22, 24	–	–	3,166,994	9,129,802	12,296,796	11,524,551
Other assets	28	–	–	–	268,432	268,432	268,432
Total financial assets		**115,438**	**170,413**	**3,166,994**	**57,333,453**	**60,786,298**	**59,934,842**
Financial liabilities							
Trading liabilities	18	27,715	–	–	–	27,715	27,715
Derivative liabilities held for risk management	19	5,860	–	–	–	5,860	5,860
Fair value changes of the hedged items – liability	27	11,398	–	–	–	11,398	11,398
Derivatives – hedge accounting	27	–	–	–	–	–	–
Deposits from banks	32	–	–	–	578,106	578,106	578,106
Deposits from customers	33	–	–	–	49,281,318	49,281,318	49,195,681
Loans from banks and other financial institutions	34	–	–	–	3,943	3,943	3,741
Debt securities issued	34	–	–	–	3,887,808	3,887,808	3,536,005
Subordinated liabilities	34	–	–	–	323,678	323,678	332,555
Subordinated loans	35	–	–	–	1,280,354	1,280,354	1,280,354
Total financial liabilities		**44,973**	**–**	**–**	**55,355,207**	**55,400,180**	**54,971,415**

8. Net interest income

In RON thousand	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Interest income according to effective interest method				
Current accounts and loans and advances to banks	42,940	9,477	41,001	11,314
Loans and advances to customers (i)	3,235,673	2,400,349	3,264,848	2,406,962
Investments measured at fair value through other comprehensive income	122,600	105,952	119,552	104,546
Investment securities measured at amortized cost	436,129	302,777	435,405	298,596
	3,837,342	**2,818,555**	**3,860,806**	**2,821,418**
Interest income other				
Current accounts and loans and advances to banks	187,562	41,588	186,628	39,846
Finance leasing activity	79,033	49,918	–	–
Negative interest on financial liabilities	–	77	–	77
Derivatives – hedge accounting, interest rate risk	3,772	1,977	3,772	1,977
	270,367	**93,560**	**190,400**	**41,900**
Total interest income	**4,107,709**	**2,912,115**	**4,051,206**	**2,863,318**
Interest expense				
Deposits from banks	(8,090)	(16,195)	(8,090)	(16,195)
Deposits from customers	(939,448)	(276,319)	(939,228)	(275,824)
Debt securities issued	(245,333)	(109,893)	(245,333)	(109,893)
Loans from banks and subordinated liabilities	(83,195)	(92,048)	(69,761)	(88,512)
Leasing	(4,554)	(2,273)	(4,322)	(2,166)
Negative interest on financial assets	(28)	(13,472)	(28)	(13,472)
Derivatives – hedge accounting, interest rate risk	(1,900)	(824)	(1,900)	(824)
Interest cost on benefit obligation	(4,232)	(738)	(4,232)	(738)
Total interest expense	**(1,286,780)**	**(511,762)**	**(1,272,894)**	**(507,624)**
Net interest income	**2,820,929**	**2,400,353**	**2,778,312**	**2,355,694**

(i) The amount of interest income from impaired loans amounts to RON 37,898 thousand (31 December 2022: RON 27,871 thousand).

9. Net fee and commission income

In RON thousand	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Fee and commission income				
Transactions from payments transfer business	628,746	622,899	628,746	622,899
Loans administration and guarantee issuance	72,331	69,013	72,293	68,883
Asset management fee (i)	29,831	35,372	–	–
Commissions from insurance premium collections (ii)	88,289	78,259	88,289	78,259
Finance leasing administration	13,537	11,826	–	–
Other (iii)	70,841	24,113	75,410	27,585
Total fee and commission income	**903,575**	**841,482**	**864,738**	**797,626**
Fees and commissions expense				
Commissions for payment transfers	(258,960)	(256,254)	(258,960)	(256,254)
Loan and guarantees received from banks	(16,173)	(7,761)	(16,173)	(7,761)
For securities business	(3,442)	(2,440)	(1,871)	(1,415)
Commissions for buying/selling cash	(12,024)	(12,267)	(12,024)	(12,267)
Other	(10,726)	(3,684)	(7,937)	(37)
Total fee and commission expense	**(301,325)**	**(282,406)**	**(296,965)**	**(277,734)**
Net fee and commission income	**602,250**	**559,076**	**567,773**	**519,892**

(i) The caption "Asset management fees" includes fees obtained by Raiffeisen Asset Management S.A. from its customers and are based on the value of assets under management.
(ii) The caption "Commissions from insurance premium collections" represents fees earned by the Bank for the intermediation of insurance policies between its customers and insurance companies.
(iii) Under "Other", the Group records mainly fees for its custody activity.

10. Net trading income

In RON thousand	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Net trading income from:				
Currency based instruments (i), out of which:	360,863	321,694	362,003	322,542
Gain/(loss) from foreign exchange derivative transactions	(5,990)	22,186	(6,008)	22,186
Net gain on revaluation of monetary assets and foreign currency transactions	366,853	299,508	368,011	300,356
Interest rate instruments (ii), out of which:	16,687	7,503	16,687	7,503
Net trading result from government securities and corporate debt securities	17,098	3,495	17,098	3,495
Interest rate swaps gain/(loss)	(411)	4,008	(411)	4,008
Net trading income	**377,550**	**329,197**	**378,690**	**330,045**

(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 2023	GROUP 2022	BANK 2023	BANK 2022
Revenues from additional leasing services	3,474	3,003	–	–
Reversal of other provisions	587	8,120	587	10,199
Dividend income	3,122	2,180	32,716	28,942
Income from repossessed assets	1,570	1,096	1,570	1,096
Reversal of litigation provision	25,357	7,805	25,357	7,805
Sundry income (i)	30,430	28,493	31,406	30,301
Total	**64,540**	**50,697**	**91,636**	**78,343**

(i) In "sundry income" position, the Group includes revenues from: various recoveries on sundry debtors, liabilities of the Bank which reached the prescription term and were derecognised, amounts resulted from cash reconciliation process etc.

12. Operating expenses

	GROUP		BANK	
In RON thosand	**2023**	**2022**	**2023**	**2022**
Office space expenses (i)	(69,492)	(63,366)	(67,672)	(61,621)
IT repairs and maintenance	(160,273)	(144,906)	(154,960)	(140,272)
Depreciation and amortization *(Note 30 and 31)*	(274,702)	(259,127)	(271,545)	(257,042)
Deposit insurance fees (ii)	(17,969)	(34,819)	(17,969)	(34,819)
Resolution fund fee (iii)	(30,635)	(35,989)	(30,605)	(35,888)
Security expenses	(51,657)	(46,775)	(51,647)	(46,765)
Advertising	(64,282)	(68,241)	(63,333)	(67,003)
Legal, advisory and consulting expenses	(45,943)	(48,667)	(44,450)	(46,760)
Postal and telecommunication expenses	(98,555)	(88,762)	(97,983)	(88,330)
Office supplies	(32,211)	(30,665)	(32,114)	(30,528)
Sundry operating expenses	(55,515)	(39,335)	(51,178)	(35,462)
Charge of other provisions	(27,725)	(584)	(22,802)	(584)
Training expenses for staff	(12,435)	(14,356)	(11,755)	(13,715)
Travelling expenses	(5,717)	(10,019)	(5,524)	(9,769)
Transport costs	(7,126)	(6,880)	(6,712)	(6,387)
Other taxes (iv)	(26,344)	(3,432)	(24,365)	(1,669)
Total	**(980,581)**	**(895,923)**	**(954,614)**	**(876,614)**

(i) The amounts under "Office space expenses" include mainly cleaning, security expenses and the VAT related to the rental paid invoices.
(ii) The Bank pays annually contributions to the Bank Deposit Guarantee Fund for guaranteed deposits. Guaranteed deposits represent any credit balance, including the due interest, which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution must repay in the legal and contractual conditions applicable. Examples of guaranteed deposits are: time deposits, current accounts, savings accounts, debit/credit card accounts.
(iii) The Bank pays contribution to resolution fund for liabilities not covered, respectively for liabilities (excluding own funds) less covered deposits. The liability to pay these levies is recognized when they become constructive. In this case, the obligation arises annually on January 1, as the Bank performs activities related to deposits received.
(iv) Under the caption "Charge of litigation provision" the Group presents the expense with legal disputes, as further disclosed in *Note 36 Provisions*.
(v) Under the caption "Other taxes" the Group presents the movement in provision for tax audit (please see *Note 28 Other assets*)

Within a package of tax reforms, Law 296/2023 introduced starting with 2024 an additional permanent banking fee, applicable to all credit institutions in Romania, regardless of the recorded financial result, with the introduction of differentiated tax rates, as follows:
a) 2% of turnover, for the period 1 January 2024 – 31 December 2025 inclusive.
b) 1% of turnover, as of 1 January 2026.

This tax on the operational income of banks was introduced to be paid in addition to the corporate income tax. The bank will calculate, declare, and pay the turnover tax starting with 2024 according to the tax laws in force.

External auditor expense:

Group: The expense with statutory audit of financial statements as at December 31, 2023 was in amount of RON 2,147 thousand (December 31, 2022: RON 2,156 thousand), the expense with assurance services as at December 31, 2023 was in amount of RON 574 thousand (December 31, 2022: RON 481 thousand), and the expense with non-assurance services as at December 31, 2023 was in amount of RON 191 thousand (December 31, 2022: RON 210 thousand).

Bank: The expense with statutory audit of financial statements as at December 31, 2023 was in amount of RON 1,648 thousand (December 31, 2022: RON 1,593 thousand), the expense with assurance services as at December 31, 2023 was in amount of RON 471 thousand (December 31, 2022: RON 297 thousand), and the expense with non-assurance services as at December 31, 2023 was in amount of RON 191 thousand (December 31, 2022: RON 210 thousand).

13. Personnel expense

	GROUP		BANK	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Salary expense	(777,132)	(707,722)	(745,567)	(675,879)
Social contributions	(24,719)	(20,844)	(24,062)	(20,233)
Other staff expenses	(36,545)	(31,550)	(35,435)	(30,498)
Expenses for defined benefit pension plans	(3,885)	(4,404)	(3,885)	(4,404)
Long term employee benefits	(4,592)	(7,337)	(4,491)	(7,235)
Total	**(846,873)**	**(771,857)**	**(813,440)**	**(738,249)**

The number of employees at Group level as at December 31, 2023 was 5,037 (December 31, 2022: 5,084).
The number of employees at Bank level as at December 31, 2023 was 4,879 (December 31, 2022: 4,929).

14. Impairment (losses)/reversals

Group

In RON thousand — 31 December 2023

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Loans and advances to banks at amortized cost	(12)	(78)	–	–	(90)
Loans and advances to customers at amortized cost	2,406	(1,760)	(31,454)	(23,816)	(54,624)
Loan commitments and financial guarantees	6,426	653	16,807	–	23,886
Investment in subsidiaries, associates and joint ventures	(1,421)	–	–	–	(1,421)
Investment securities at amortized cost	(1,657)	–	–	–	(1,657)
Loans written-off	–	(1,557)	(15,943)	(591)	(18,091)
Recoveries from loans and advances to customers	–	–	34,840	5,195	40,035
Total non-retail	**5,742**	**(2,742)**	**4,250**	**(19,212)**	**(11,962)**
Retail					
Loans and advances to customers at amortized cost	38,708	45,332	(187,035)	30,090	(72,905)
Loan commitments and financial guarantees	2,556	4,340	2,276	–	9,172
Loans written-off	–	(2,023)	(3,847)	(89)	(5,959)
Recoveries from loans and advances to customers	–	–	106,019	5,554	111,573
Total retail	**41,264**	**47,649**	**(82,587)**	**35,555**	**41,881**
Total	**47,006**	**44,907**	**(78,337)**	**16,343**	**29,919**

Group

In RON thousand — 31 December 2022

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

Bank

In RON thousand — 31 December 2023

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Loans and advances to banks at amortized cost	(12)	(78)	–	–	(90)
Loans and advances to customers at amortized cost	(631)	1,608	(34,203)	(23,816)	(57,042)
Loan commitments and financial guarantees	6,426	653	16,807	–	23,886
Investment in subsidiaries, associates and joint ventures	5,270	–	–	–	5,270
Investment securities at amortized cost	(1,657)	–	–	–	(1,657)
Loans written-off	–	(1,557)	(14,591)	(591)	(16,739)
Recoveries from loans and advances to customers	–	–	34,840	5,195	40,035
Total non-retail	**9,396**	**626**	**2,853**	**(19,212)**	**(6,337)**
Retail					
Loans and advances to customers at amortized cost	38,774	45,250	(187,129)	30,090	(73,015)
Loan commitments and financial guarantees	2,556	4,340	2,276	–	9,172
Loans written-off	–	(2,023)	(3,847)	(89)	(5,959)
Recoveries from loans and advances to customers	–	–	105,530	5,554	111,084
Total retail	**41,330**	**47,567**	**(83,170)**	**35,555**	**41,282**
Total	**50,726**	**48,193**	**(80,317)**	**16,343**	**34,945**

Bank

In RON thousand — 31 December 2022

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

The decrease of impairment loss in 2023 is due to the following factors: new IFRS models implementation in February 2023 together with the positive outlook for the macro factors.

The contractual amount outstanding on credit exposures that were written off and are still subject to enforcement activity during the period as of December 31, 2023 is RON 46,701 thousand (December 31, 2022: RON 128,830 thousand), out of which non-retail exposures in amount of RON 5,028 thousand (December 31, 2022: RON 3,769 thousand) and retail exposures in amount of RON 41,673 thousand (December 31, 2022: RON 125,061 thousand).

15. Income tax expense

i) Income tax expense

	GROUP		BANK	
In RON thousand	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Current tax expenses at 16% (2022:16%) of taxable profits determined in accordance with Romanian law	(348,037)	(251,543)	(344,939)	(244,384)
Adjustments recognized in the period for current tax of prior periods	3	–	4	–
Deferred tax expense/(income) *(Note 29)*	(11,138)	21,036	(8,045)	20,822
Expense with provision from tax inspection	(24,388)	–	(24,388)	–
Total	**(383,560)**	**(230,507)**	**(377,368)**	**(223,562)**

ii) Income tax receivable

	GROUP		BANK	
In RON thousand	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Current tax receivable	–	166	–	–
Non-current tax receivable – Gross Book Value *	143,246	130,129	143,246	130,129
Provision for non-current tax receivable	(93,784)	(56,280)	(93,784)	(56,280)
Total	**49,462**	**74,015**	**49,462**	**73,849**

*According to IFRIC 23, as of December 31, 2023, the carrying amount of income taxes with uncertain treatment is RON 143,246 thousand (December 31, 2022: RON 130,129 thousand) and the correspondent provision is RON 93,784 thousand (December 31, 2022: RON 56,280 thousand) and resulted from the tax audit detailed in note 28 "Other assets". This amount includes income tax (principal and related penalties). In this respect, the taxation authority and the court represent the bodies that decide whether tax treatments are acceptable under tax law.

The Bank reviewed the provision for the litigation with ANAF and recognized an additional amount of RON 24,388 thousand as of December 31, 2023.

16. Reconciliation of income before tax with the consolidated and separate statement of comprehensive income

	GROUP		BANK	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Gross profit before tax	2,084,327	1,486,737	2,096,858	1,458,257
Taxation at statutory rate of 16% (2022: 16%)	**(333,492)**	**(237,878)**	**(335,497)**	**(233,321)**
Non-deductible expenses	(26,613)	(24,305)	(23,088)	(19,875)
Non-taxable revenues	(3,193)	23,869	1,694	21,974
Corporate income tax before fiscal credit	**(363,298)**	**(238,314)**	**(356,891)**	**(231,222)**
Fiscal credit	4,122	7,807	3,907	7,660
Adjustments recognized in the period for current tax of prior periods	4	–	4	–
Corporate income tax	**(359,172)**	**(230,507)**	**(352,980)**	**(223,562)**
Income tax resulted from tax inspection	(24,388)	–	(24,388)	–
Income tax expense	**(383,560)**	**(230,507)**	**(377,368)**	**(223,562)**

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 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Cash and cash equivalents	2,108,370	1,621,589	2,108,360	1,620,991
Minimum compulsory reserve	11,759,079	6,659,862	11,694,455	6,659,862
Total	**13,867,449**	**8,281,451**	**13,802,815**	**8,280,853**

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 2023, the mandatory minimum reserve ratio was 8% (31 December 2022: 8%) for funds raised in RON and 5% (December 31, 2022: 5%) for funds in foreign currency with residual maturity of less than 2 years, at the end of the observation period. For liabilities having residual maturity over 2 years at the end of the observation period, without reimbursement, conversion or early retirement clauses, compulsory minimum reserve ratio was set at 0% (31 December 2022: 0%).

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

18. Trading assets/liabilities

	GROUP		BANK	
In RON thousand	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Trading assets				
Debt instruments	177,901	49,812	177,901	49,812
Derivative financial instruments	3,415	43,490	3,415	43,490
Total	**181,316**	**93,302**	**181,316**	**93,302**
Trading liabilities				
Derivative financial instruments	6,539	27,715	6,539	27,715
Short position	2,901	–	2,901	–
Total	**9,440**	**27,715**	**9,440**	**27,715**

19. Derivatives held for risk management

The portfolio of derivatives held for economic hedge risk management purposes (hedge accounting is not applied here) are detailed below:

Group

In RON thousand			31 December 2023	
			Fair value	
	Notional buy	Notional sell	Assets	Liabilities
OTC products:				
Cross currency Interest rate swaps	177,153	177,153	13,351	–
FX swap	1,309,448	1,309,889	589	588
Interest rate swaps	146,746	146,746	4,245	87
Total			**18,185**	**675**

Group

In RON thousand			31 December 2022	
			Fair value	
	Notional buy	Notional sell	Assets	Liabilities
OTC products:				
Cross currency Interest rate swaps	105,826	105,826	6,643	–
FX swap	1,181,823	1,184,016	–	2,888
Interest rate swaps	196,474	196,474	7,138	2,972
Total			**13,781**	**5,860**

Bank

In RON thousand			31 December 2023	
			Fair value	
	Notional buy	Notional sell	Assets	Liabilities
OTC products:				
Cross currency Interest rate swaps	177,153	177,153	13,351	–
FX swap	1,309,448	1,309,889	589	588
Interest rate swaps	146,746	146,746	4,245	87
Total			**18,185**	**675**

Bank

In RON thousand			31 December 2022	
			Fair value	
	Notional buy	Notional sell	Assets	Liabilities
OTC products:				
Cross currency Interest rate swaps	105,826	105,826	6,643	–
FX swap	1,181,823	1,184,016	–	2,888
Interest rate swaps	196,474	196,474	7,138	2,972
Total			**13,781**	**5,860**

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

The fair value of derivative financial instruments is determined by discounted cash flow models using the market quotations at the valuation date.

Foreign exchange transactions are measured by discounted future models using the market rates from Reuters and the fixing price of National Bank of Romania.

20. Loans and advances to banks at amortized cost

	GROUP		BANK	
In RON thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Refundable at request	94,551	33,185	93,307	32,627
Sight deposits	164,872	40,499	164,872	40,499
Term deposits	22,827	51,233	22,827	3,194
Reverse repo	2,918	–	2,918	–
Term loans	199,472	198,626	199,472	198,626
Subordinated loans	–	–	11,861	11,905
Total	**484,640**	**323,543**	**495,257**	**286,851**

21. Loans and advances to customers at amortized 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 2023	31 December 2022	31 December 2023	31 December 2022
Non-retail				
Gross exposure	22,511,941	20,309,484	22,389,976	20,212,370
Impairment allowance	(397,070)	(424,174)	(374,935)	(403,088)
Net exposure	22,114,871	19,885,310	22,015,041	19,809,282
Retail				
Gross exposure	20,528,701	20,878,627	20,059,898	20,452,399
Impairment allowance	(830,338)	(912,368)	(815,502)	(894,166)
Net exposure	19,698,363	19,966,259	19,244,396	19,558,233
Total net exposure	**41,813,234**	**39,851,569**	**41,259,437**	**39,367,515**

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

Group

In RON thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Gross carrying amount as at 1 January 2023	17,337,146	2,687,988	236,299	48,051	20,309,484
New assets originated or purchased	16,276,936	871,656	22,951	923	17,172,466
Assets derecognized or repaid (excluding write-offs)	(13,374,130)	(1,502,867)	(151,786)	(10,703)	(15,039,486)
Transfers to Stage 1	2,205,456	(2,199,575)	(5,881)	–	–
Transfers to Stage 2	(2,322,618)	2,332,952	(1,491)	–	8,843
Transfers to Stage 3	(3,249)	(114,718)	118,056	–	89
Decrease due to write-offs	–	–	(2,121)	–	(2,121)
Foreign exchange adjustments	56,384	6,218	53	11	62,666
Total non-retail gross carrying amount as at 31 December 2023	**20,175,925**	**2,081,654**	**216,080**	**38,282**	**22,511,941**
Retail					
Gross carrying amount as at 1 January 2023	17,811,492	2,166,865	722,263	178,007	20,878,627
New assets originated or purchased	5,655,018	854,043	9,071	13,847	6,531,979
Assets derecognized or repaid (excluding write-offs)	(5,357,496)	(1,130,091)	(365,635)	(17,057)	(6,870,279)
Transfers to Stage 1	5,547,934	(5,521,785)	(26,149)	–	–
Transfers to Stage 2	(7,022,279)	7,088,353	(74,917)	–	(8,843)
Transfers to Stage 3	(45,319)	(503,103)	548,333	–	(89)
Decrease due to write-offs	–	–	(25,466)	–	(25,466)
Foreign exchange adjustments	5,378	10,731	4,727	1,936	22,772
Total retail gross carrying amount as at 31 December 2023	**16,594,728**	**2,965,013**	**792,227**	**176,733**	**20,528,701**
Total gross carrying amount	**36,770,653**	**5,046,667**	**1,008,307**	**215,015**	**43,040,642**

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

Group

In RON thousand

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

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

Bank

In RON thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Gross carrying amount as at 1 January 2023	17,402,955	2,541,618	219,746	48,051	20,212,370
New assets originated or purchased	16,181,029	786,614	22,951	923	16,991,517
Assets derecognized or repaid (excluding write-offs)	(13,217,946)	(1,497,612)	(150,209)	(10,703)	(14,876,470)
Transfers to Stage 1	2,119,633	(2,113,752)	(5,881)	–	–
Transfers to Stage 2	(2,170,071)	2,171,562	(1,491)	–	–
Transfers to Stage 3	(3,249)	(111,978)	115,227	–	–
Decrease due to write-offs	–	–	(107)	–	(107)
Foreign exchange adjustments	56,384	6,218	53	11	62,666
Total non-retail gross carrying amount as at 31 December 2023	**20,368,735**	**1,782,670**	**200,289**	**38,282**	**22,389,976**
Retail					
Gross carrying amount as at 1 January 2023	17,438,371	2,132,357	703,664	178,007	20,452,399
New assets originated or purchased	5,472,740	826,745	8,700	13,847	6,322,032
Assets derecognized or repaid (excluding write-offs)	(5,233,448)	(1,104,670)	(356,819)	(17,057)	(6,711,994)
Transfers to Stage 1	5,526,782	(5,501,328)	(25,454)	–	–
Transfers to Stage 2	(6,954,782)	7,029,493	(74,711)	–	–
Transfers to Stage 3	(41,513)	(501,572)	543,085	–	–
Decrease due to write-offs	–	–	(25,311)	–	(25,311)
Foreign exchange adjustments	5,378	10,731	4,727	1,936	22,772
Total retail gross carrying amount as at 31 December 2023	**16,213,528**	**2,891,756**	**777,881**	**176,733**	**20,059,898**
Total gross carrying amount	**36,582,263**	**4,674,426**	**978,170**	**215,015**	**42,449,874**

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

Bank

In RON thousand

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

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

Group

In RON thousand

					2023
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Non-retail					
ECL allowance as at 1 January 2023	160,587	83,190	142,601	37,796	424,174
New assets originated or purchased	122,393	25,870	22,208	–	170,471
Assets derecognized or repaid (excluding write-offs)	(76,681)	(14,565)	(72,329)	(1,782)	(165,357)
Transfers to Stage 1	16,028	(15,987)	(41)	–	–
Transfers to Stage 2	(13,726)	13,726	–	–	–
Transfers to Stage 3	(11)	(4,941)	4,952	–	–
Impact on year end ECL of exposures transferred between stages during the year	(65,981)	(1,918)	40,770	(4,062)	(31,191)
Decrease in allowance account due to write-offs	–	–	(1,424)	–	(1,424)
Foreign exchange adjustments	196	286	(90)	5	397
Total non-retail ECL as at 31 December 2023	**142,805**	**85,661**	**136,647**	**31,957**	**397,070**
Retail					
ECL allowance as at 1 January 2023	110,577	234,911	529,161	37,719	912,368
New assets originated or purchased	102,595	36,141	17,750	–	156,486
Assets derecognized or repaid (excluding write-offs)	(24,399)	(53,676)	(229,005)	(4,756)	(311,836)
Transfers to Stage 1	379,465	(370,583)	(8,882)	–	–
Transfers to Stage 2	(82,387)	112,068	(29,681)	–	–
Transfers to Stage 3	(640)	(85,850)	86,490	–	–
Impact on year end ECL of exposures transferred between stages during the year	(397,674)	309,315	181,804	192	93,637
Decrease in allowance account due to write-offs	–	–	(24,335)	–	(24,335)
Foreign exchange adjustments	(8)	234	3,140	652	4,018
Total retail ECL as at 31 December 2023	**87,529**	**182,560**	**526,442**	**33,807**	**830,338**
Total impairment allowance	**230,334**	**268,221**	**663,089**	**65,764**	**1,227,408**

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

Group

In RON thousand

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

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

Bank

In RON thousand **2023**

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
ECL allowance as at 1 January 2023	160,102	75,735	129,455	37,796	403,088
New assets originated or purchased	120,579	24,701	22,208	–	167,488
Assets derecognized or repaid (excluding write-offs)	(76,302)	(14,171)	(72,109)	(1,782)	(164,364)
Transfers to Stage 1	16,028	(15,987)	(41)	–	–
Transfers to Stage 2	(13,726)	13,726	–	–	–
Transfers to Stage 3	(11)	(4,941)	4,952	–	–
Impact on year end ECL of exposures transferred between stages during the year	(64,211)	(3,565)	40,325	(4,062)	(31,513)
Decrease in allowance account due to write-offs	–	–	(106)	–	(106)
Foreign exchange adjustments	194	279	(136)	5	342
Total non-retail ECL as at 31 December 2023	**142,653**	**75,777**	**124,548**	**31,957**	**374,935**
Retail					
ECL allowance as at 1 January 2023	104,989	232,755	518,703	37,719	894,166
New assets originated or purchased	100,784	35,736	17,745	–	154,265
Assets derecognized or repaid (excluding write-offs)	(24,018)	(53,428)	(227,583)	(4,756)	(309,785)
Transfers to Stage 1	379,465	(370,583)	(8,882)	–	–
Transfers to Stage 2	(82,387)	112,068	(29,681)	–	–
Transfers to Stage 3	(640)	(85,850)	86,490	–	–
Impact on year end ECL of exposures transferred between stages during the year	(393,503)	308,479	182,041	192	97,209
Decrease in allowance account due to write-offs	–	–	(24,335)	–	(24,335)
Foreign exchange adjustments	(11)	235	3,106	652	3,982
Total retail ECL as at 31 December 2023	**84,679**	**179,412**	**517,604**	**33,807**	**815,502**
Total impairment allowance	**227,332**	**255,189**	**642,152**	**65,764**	**1,190,437**

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

Bank

In RON thousand

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

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

Group

In RON thousand — 2023

	Stage 1	Stage 2	Stage 3	POCI	Total
Retail secured					
ECL allowance as at 1 January 2023	26,284	92,706	177,725	34,245	330,960
New assets originated or purchased	98	1,352	2,230	1,495	5,175
Assets derecognized or repaid (excluding write-offs)	(304)	(2,336)	(15,383)	(2,467)	(20,490)
Transfers to Stage 1	69,653	(66,425)	(3,228)	–	–
Transfers to Stage 2	(5,742)	21,916	(16,174)	–	–
Transfers to Stage 3	(21)	(4,937)	4,958	–	–
Impact on year end ECL of exposures transferred between stages during the year	(88,010)	(21,003)	4,343	(4,186)	(108,856)
Decrease in allowance account due to write-offs	–	–	(5,195)	–	(5,195)
Foreign exchange adjustments	(10)	260	3,682	651	4,583
Total retail secured ECL as at 31 December 2023	**1,948**	**21,533**	**152,958**	**29,738**	**206,177**

Group

In RON thousand — 2022

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

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

Bank

Ini RON thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Retail secured					
ECL allowance as at 1 January 2023	26,284	92,706	177,725	34,245	330,960
New assets originated or purchased	98	1,352	2,230	1,495	5,175
Assets derecognized or repaid (excluding write-offs)	(304)	(2,336)	(15,383)	(2,467)	(20,490)
Transfers to Stage 1	69,653	(66,425)	(3,228)	–	–
Transfers to Stage 2	(5,742)	21,916	(16,174)	–	–
Transfers to Stage 3	(21)	(4,937)	4,958	–	–
Impact on year end ECL of exposures transferred between stages during the year	(88,010)	(21,003)	4,343	(4,186)	(108,856)
Decrease in allowance account due to write-offs	–	–	(5,195)	–	(5,195)
Foreign exchange adjustments	(10)	260	3,682	651	4,583
Total retail secured ECL as at 31 December 2023	**1,948**	**21,533**	**152,958**	**29,738**	**206,177**

Bank

Ini RON thousand

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

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

Group

In RON thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Gross carrying amount as at 1 January 2023	15,977,322	829,294	123,363	160	16,930,139
New assets originated or purchased	8,545,557	231,373	32,966	628	8,810,524
Assets derecognized or repaid (excluding write-offs)	(8,948,510)	(370,746)	(32,941)	(242)	(9,352,439)
Transfers to Stage 1	728,896	(698,162)	(30,734)	–	–
Transfers to Stage 2	(986,353)	1,011,471	(25,118)	–	–
Transfers to Stage 3	–	(13,918)	13,918	–	–
Foreign exchange adjustments	304,681	444	190	–	305,315
Total non-retail gross carrying amount as at 31 December 2023	**15,621,593**	**989,756**	**81,644**	**546**	**16,693,539**
Retail					
Gross carrying amount as at 1 January 2023	2,396,414	1,412,583	12,499	3,752	3,825,248
New assets originated or purchased	559,472	551,800	7,096	1,168	1,119,536
Assets derecognized or repaid (excluding write-offs)	(826,146)	(183,368)	(13,664)	(1,200)	(1,024,378)
Transfers to Stage 1	2,568,781	(2,567,188)	(1,593)	–	–
Transfers to Stage 2	(2,010,593)	2,016,610	(6,017)	–	–
Transfers to Stage 3	(4,693)	(9,444)	14,137	–	–
Foreign exchange adjustments	206	(41)	–	–	165
Total retail gross carrying amount as at 31 December 2023	**2,683,441**	**1,220,952**	**12,458**	**3,720**	**3,920,571**
Total gross carrying amount	**18,305,034**	**2,210,708**	**94,102**	**4,266**	**20,614,110**

Group

In RON thousand

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

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

Bank

In RON thousand

2023

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
Gross carrying amount as at 1 January 2023	16,082,181	826,236	123,633	160	17,032,210
New assets originated or purchased	8,545,557	231,373	32,966	628	8,810,524
Assets derecognized or repaid (excluding write-offs)	(9,137,288)	(358,639)	(32,941)	(242)	(9,529,110)
Transfers to Stage 1	728,896	(698,162)	(30,734)	–	–
Transfers to Stage 2	(986,353)	1,011,471	(25,118)	–	–
Transfers to Stage 3	–	(13,918)	13,918	–	–
Foreign exchange adjustments	304,681	444	190	–	305,315
Total non-retail gross carrying amount as at 31 December 2023	**15,537,674**	**998,805**	**81,914**	**546**	**16,618,939**
Retail					
Gross carrying amount as at 1 January 2023	2,374,527	1,412,291	12,229	3,752	3,802,799
New assets originated or purchased	568,524	551,800	7,096	1,168	1,128,588
Assets derecognized or repaid (excluding write-offs)	(826,146)	(183,227)	(13,664)	(1,200)	(1,024,237)
Transfers to Stage 1	2,568,781	(2,567,188)	(1,593)	–	–
Transfers to Stage 2	(2,010,593)	2,016,610	(6,017)	–	–
Transfers to Stage 3	(4,693)	(9,444)	14,137	–	–
Foreign exchange adjustments	206	(41)	–	–	165
Total retail gross carrying amount as at 31 December 2023	**2,670,606**	**1,220,801**	**12,188**	**3,720**	**3,907,315**
Total gross carrying amount	**18,208,280**	**2,219,606**	**94,102**	**4,266**	**20,526,254**

Bank

In RON thousand

2022

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

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

Group

In RON thousand

2023

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
ECL allowance as at 1 January 2023	15,977	2,029	47,918	–	65,924
New assets originated or purchased	6,461	157	10,951	13	17,582
Assets derecognized or repaid (excluding write-offs)	(3,220)	(608)	(15,197)	–	(19,025)
Transfers to Stage 1	1,276	(1,247)	(29)	–	–
Transfers to Stage 2	(552)	17,160	(16,608)	–	–
Transfers to Stage 3	–	(83)	83	–	–
Impact on changes due to change in credit risk (net)	(10,153)	(16,051)	3,876	96	(22,232)
Foreign exchange adjustments	24	6	34	–	64
Total non-retail ECL as at 31 December 2023	**9,813**	**1,363**	**31,028**	**109**	**42,313**
Retail					
ECL allowance as at 1 January 2023	4,826	6,765	7,505	2,215	21,311
New assets originated or purchased	3,919	4,390	404	286	8,999
Assets derecognized or repaid (excluding write-offs)	(1,328)	(2,856)	(7,162)	(740)	(12,086)
Transfers to Stage 1	13,528	(12,008)	(1,512)	(8)	–
Transfers to Stage 2	(1,873)	4,693	(2,810)	(10)	–
Transfers to Stage 3	(8)	(110)	118	–	–
Impact on changes due to change in credit risk (net)	(16,664)	1,528	9,247	(434)	(6,323)
Foreign exchange adjustments	1	1	2	–	4
Total retail ECL as at 31 December 2023	**2,401**	**2,403**	**5,792**	**1,309**	**11,905**
Total ECL allowance	**12,214**	**3,766**	**36,820**	**1,418**	**54,218**

Group

In RON thousand

2022

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

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

Bank

In RON thousand

2023

	Stage 1	Stage 2	Stage 3	POCI	Total
Non-retail					
ECL allowance as at 1 January 2023	15,795	1,992	47,918	–	65,705
New assets originated or purchased	6,049	139	10,951	13	17,152
Assets derecognized or repaid (excluding write-offs)	(3,038)	(571)	(15,197)	–	(18,806)
Transfers to Stage 1	1,276	(1,247)	(29)	–	–
Transfers to Stage 2	(552)	17,160	(16,608)	–	–
Transfers to Stage 3	–	(83)	83	–	–
Impact on changes due to change in credit risk (net)	(10,153)	(16,051)	3,876	96	(22,232)
Foreign exchange adjustments	24	6	34	–	64
Total non-retail ECL as at 31 December 2023	**9,401**	**1,345**	**31,028**	**109**	**41,883**
Retail					
ECL allowance as at 1 January 2023	4,541	6,702	7,504	2,215	20,962
New assets originated or purchased	3,843	4,355	404	286	8,888
Assets derecognized or repaid (excluding write-offs)	(1,043)	(2,793)	(7,162)	(740)	(11,738)
Transfers to Stage 1	13,528	(12,008)	(1,512)	(8)	–
Transfers to Stage 2	(1,873)	4,693	(2,810)	(10)	–
Transfers to Stage 3	(8)	(110)	118	–	–
Impact on changes due to change in credit risk (net)	(16,664)	1,522	9,254	(434)	(6,322)
Foreign exchange adjustments	1	1	2	–	4
Total retail ECL as at 31 December 2023	**2,325**	**2,362**	**5,798**	**1,309**	**11,794**
Total ECL allowance	**11,726**	**3,707**	**36,826**	**1,418**	**53,677**

Bank

In RON thousand

2022

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

Non-performing exposure, in accordance with EBA/ITS/2013/03/rev1 Regulation from July 24th 2014 with subsequent amendments, can be analyzed as follows:

	GROUP		BANK	
In RON thousand	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Exposure	**1,106,655**	**1,064,177**	**1,076,519**	**1,029,025**
out of which retail:	852,289	779,825	837,944	761,226
out of which non-retail:	254,366	284,352	238,575	267,799
Impairment allowance	**727,982**	**744,645**	**707,046**	**721,041**
out of which retail:	559,736	553,267	550,541	542,450
out of which non-retail:	168,246	191,378	156,505	178,591
Net Book Value	**378,673**	**319,532**	**369,473**	**307,984**
out of which retail:	292,553	226,558	287,403	218,776
out of which non-retail:	86,120	92,974	82,070	89,208

During the financial year 2023, the following existing loans were modified and have not resulted in derecognition:

Group

In RON thousand

	Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost before modification	**235,585**	**138,378**	**33,594**	**991**	**408,548**
Net modification gain/loss	(7,636)	(3,399)	(805)	(20)	(11,860)
Amortized cost after modification	**227,949**	**134,979**	**32,789**	**971**	**396,688**

Bank

In RON thousand

	Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost before modification	235,585	138,378	33,594	991	408,548
Net modification gain/loss	(7,636)	(3,399)	(805)	(20)	(11,860)
Amortized cost after modification	227,949	134,979	32,789	971	396,688

During the financial year 2022, the following existing loans were modified and have not resulted in derecognition:

Group

In RON thousand

	Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost before modification	**395,536**	**59,305**	**51,479**	**306**	**506,626**
Net modification gain/loss	(9,715)	(1,268)	(1,149)	(6)	(12,138)
Amortized cost after modification	**385,821**	**58,037**	**50,330**	**300**	**494,488**

Bank

In RON thousand

	Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost before modification	**395,536**	**59,305**	**51,479**	**306**	**506,626**
Net modification gain/loss	(9,715)	(1,268)	(1,149)	(6)	(12,138)
Amortized cost after modification	**385,821**	**58,037**	**50,330**	**300**	**494,488**

Financial lease

The Group acts as a lessor in finance lease contracts for vehicles, equipment and real estate. Leasing contracts are denominated in EUR or RON and with a contract tenor of 1 to 8 years, in the case of vehicle lease contracts, and 1 to 10 years, in case or real estate lease. The transfer of ownership rights is at the maturity of the contract. The interest applicable to lease contracts is variable or fixed and is computed for the entire tenor of the contract. The corresponding receivables are collateralized with the object of the lease contract, as well as with other type of collaterals. Loans and advances to Group's customers include the following receivables from lease contracts (the ECL for lease exposure is presented within the Group total ECL):

In RON thousand	31 December 2023
Less than one year	97,239
1 to 2 years	217,564
Two to 3 years	288,854
Three to 4 years	376,890
Four to 5 years	408,479
More than 5 years	95,902
Total undiscounted lease payments receivables	**1,484,928**
Unearned finance income	(148,276)
Net investment in lease	**1,336,652**

In RON thousand	31 December 2022
Less than one year	103,251
1 to 2 years	183,741
Two to 3 years	252,496
Three to 4 years	297,570
Four to 5 years	361,029
More than 5 years	74,373
Total undiscounted lease payments receivables	**1,272,460**
Unearned finance income	(100,077)
Net investment in lease	**1,172,383**

The goals which the Bank pursues with respect to its securitization activities

In December 2010, Raiffeisen Bank S.A. concluded a synthetic securitization transaction under the JEREMIE initiative, through which the European Investment Fund (EIF) offers partial credit risk protection for a portfolio of loans granted by the Bank to medium and small enterprises (SME). COSME program was concluded in 2017, EASI in 2020, ROOF synthetic securitization of existing portfolio in December 2022 and Microfinance in June 2023.

The financial instrument used in this transaction is a first loss portfolio guarantee and mezzanine guarantee for ROOF transaction. By joining this program, the Bank's objective is to improve the utilization of capital, the benefit being passed to the end-customer, in the form of a lower price of loan and diminished collateral requirements.

Raiffeisen Bank as originator

- Under JEREMIE program, by contract, EIF guarantees 80% of each eligible loan included in the portfolio, covering losses up to a maximum cap of 25% of the total portfolio volume.
- Under COSME program, by contract, EIF guarantees 50% or 80% of each eligible loan included in the portfolio, covering losses up to a maximum cap of 9.7% of the total portfolio volume.
- Under EASI program, by contract, EIF guarantees 90% of each eligible loan included in the portfolio, covering losses up to a maximum cap of 15% of the total portfolio volume.
- Under ROOF program, by contract, EIF guarantees 95% of each eligible loan included in the portfolio, covering losses up to a maximum cap of 12% of the total portfolio volume after the first loss retained by the Bank is exceed (app 4%).
- Under Microfinance program, by contract, EIF guarantees 80% of each eligible loan included in the portfolio, covering losses up to a maximum cap of 12% of the total portfolio volume.

The below stated amounts represent the securitized portfolio and the underlying receivables as well as the externally placed tranche as of 31 December 2023:

In RON million	Date of contract	End of maturity	Maximum volume	Securitized portfolio	Outstanding contractual amount	Portfolio Type	Externally placed tranche	Amount of externally placed tranche
EIF JEREMIE	2010	2025	741	–	–	SME	Junior	–
EIF COSME	2017	2034	2,119	354	648	SME	Junior	79
EIF EASI	2020	2032	298	71	84	SME	Junior	50
EIF ROOF	2022	2037	1,535	1,550	1,457	SME	Mezanin	131
EIF MICROFINANCE	2023	2027	264	61	77	SME	Junior	6

22. Investment securities at fair value through other comprehensive income

	GROUP		BANK	
In RON thousand	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Stage 1				
Bonds issued by General Governments	1,994,966	2,638,819	1,974,638	2,628,927
Bonds issued by other public sector	471,751	367,300	471,751	367,300
Bonds issued by credit institutions	230,816	92,943	230,816	92,943
Total	**2,697,533**	**3,099,062**	**2,677,205**	**3,089,170**
Stage 2				
Bonds issued by credit institutions	5,522	6,336	5,522	6,336
Bonds issued by credit institutions	22,151	–	22,151	–
Total	**27,673**	**6,336**	**27,673**	**6,336**
Total investment securities at fair value through other comprehensive income	**2,725,206**	**3,105,398**	**2,704,878**	**3,095,506**

Treasury securities issued by the Government of Romania include discount and coupon securities denominated in RON. As at December 31, 2023, treasury securities amounting to RON 183,207 thousand (December 31, 2022: RON 71,071 thousand) are pledged as security in order to comply with National Bank of Romania prudential regulations for settlement of inter-banking operations. Income from debt instruments is recognized in interest and similar income.

Bonds issued by the Government of Romania include bonds issued by the Ministry of Finance denominated in RON, EUR and USD, bearing fixed interest rate between 0.70% p.a. and 8.75% p.a.

Bonds issued by credit institutions are valued using valuation models based on observable inputs (Level II), bonds issued by other public sector entities are valued using valuation models based on observable an unobservable inputs (Level III), while the rest of the instruments are valued based on quoted market prices (Level I).

23. Equity instruments at fair value through other comprehensive income

	GROUP		BANK	
In RON thousand	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Unquoted equity instruments	24,798	17,374	24,798	17,374
Quoted equity instruments	65,781	54,114	65,781	54,114
Total equity instruments at fair value through other comprehensive income	**90,579**	**71,488**	**90,579**	**71,488**

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.

The Group received dividends at December 31, 2023 amounting to RON 15,239 thousand (2022: RON 2,180 thousand).

The Group holds shares in Visa Inc., a company providing payment services for Visa cards. The shares representing Series C Preferred Stock are restricted from sale, but are convertible into Class A Common Stock of Visa Inc. in a maximum period of 12 years from the date in which they were granted. Due to the fact that at initial recognition it was not known the exact number of Class A shares they are converted into, they were reclassified into debt instruments instead of equity. The total reclassified amount was RON 48,228 thousand, which represented the fair value of the shares as of December 31, 2019.

During 2020, part of the Series C Preferred Stock were converted into Class A Common Stock. The converted shares were classified into "at fair value through other comprehensive income" category.

In July 2022 a second conversion of Visa Inc. C-shares into tradeable A-shares took place and the Bank received 17,821 Class A Preferred Stock with an approximate market value of EUR 3.7 mn. The remaining Class C Stock has an indicative value of EUR 3.6 mn after completion of the conversion. The shares representing Series C Preferred Stock are restricted from sale, but are convertible into Class A Common Stock of Visa Inc. in a maximum period of 12 years from the date in which they were granted. At the end of 2023 VISA shares are as follows: Class A 56,200 shares with a market value of RON 65.8 million and Class C 5,606 share with a market value of RON 18.6 million.

24. Investment securities at amortized cost

	GROUP		BANK	
In RON thousand	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Stage 1				
Bonds issued by credit institutions	387,920	386,191	387,920	386,191
Bonds issued by General Governments	9,638,701	8,814,663	9,625,177	8,743,611
Total investment securities at amortized cost	**10,026,621**	**9,200,854**	**10,013,097**	**9,129,802**

At December 31, 2023, the Group has one micro hedge relationship and the hedged instrument is a debt security at amortized cost. The carrying amount of the hedged item is RON 28,469 thousand (2022: RON 26,683 thousand).

As at December 31, 2023, there were no bonds issued by the Government of Romania pledged as security in order to comply with National Bank of Romania prudential regulations for settlement of inter-banking operations (2022: RON 109,063 thousand).

25. Investment in subsidiaries, associates and joint ventures

Subsidiaries, associates and joint ventures

	GROUP		BANK	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Balance at 1 January	32,891	32,243	188,031	247,802
Additions (i)	–	–	–	7,000
Disposals (ii)	(3,088)	–	(6,069)	(66,771)
Dividends received	(12,116)	–	–	–
Group's share of gain from associates	1,166	648	–	–
Total	**18,853**	**32,891**	**181,962**	**188,031**
Impairment allowance (i)	–	–	(71,487)	(81,160)
Balance at 31 December	18,853	32,891	110,475	106,871

(i) (i) Following the litigation with the Romanian Court of Auditors (further detailed in *Note 36 Provisions*), ABL increased the share capital in order to comply with capital adequacy internal limit. As such during 2022 the increase in share capital of ABL was in amount of RON 7,000 thousands. In 2022 was performed an writte down of the participation of ABL in amount of RON 66,771 thousand by using the provision already booked, in order to comply with the capital legal ratio.

During 2022, ABL transferred most of the loan portfolio to Raiffeisen Bank SA. In accordance with its strategy, during 2023 ABL gradually decreased its activity, with the main objective to fulfil its existing contractual obligations, while adopting optimal solutions required to serve its clients. The management estimates that this process will extend over a horizon of more than 12 months. The Group will continue to provide support for fulfilment of the objectives proposed by the ABL.

(ii) Considering the Bank's strategy of concentration on the basic activities and implicitly on the holdings considered strategic, Raiffeisen Bank reviewed its entire portfolio of holdings. In this context, during July 2023 the formalities for the sale of the Bank's share in Fondul Roman de Garantare a Creditului Rural IFN S.A. (33.331%) for the price of RON 1,667 thousands. Fondul de Garantare a Creditului Rural IFN S.A. paid in 2023 dividends in amount of RON 12,116 thousand.

The Group's interests in its associates that are unlisted are as follows:

Investments in associates

In RON thousand	Assets	Liabilities	Revenues	Interest income	Interest expense	Income taxes	Profit	Net assets	Interest held	% Net assets	Carrying amount
31 December 2023											
CIT One	142,192	85,197	278,791	–	4,093	3,680	287	56,995	33,33%	18,996	18,853
31 December 2022											
Fondul de Garantare a Creditului Rural IFN SA	1,013,628	956,976	21,075	3,420	98	161	1,320	56,652	33,33%	18,882	19,169
CIT One	124,032	82,431	230,538	–	3,173	786	287	41,601	33,33%	13,866	13,722

26. Financial assets mandatorily at fair value through profit or loss

The table below shows the split of total financial assets mandatorily at fair value through profit or loss:

	GROUP		BANK	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Loans and advances to customers	137,560	153,935	137,560	153,935
Debt instruments	40,867	30,523	18,553	16,478
Total	**178,427**	**184,458**	**156,113**	**170,413**

Group: Net gains on non-trading financial assets mandatorily at fair value through profit or loss for the period ended December 31, 2023 are in amount of RON 12,974 thousand (2022: RON (38,335) thousand).

Bank: Net gains on non-trading financial assets mandatorily at fair value through profit or loss for the period ended December 31, 2023 are in amount of RON 11,679 thousand (2022: RON (37,853) thousand).

27. Fair value changes of the hedged items – hedge accounting

The Bank applies both micro and macro fair value hedge. For the micro fair value hedge, the Bank uses as hedging instrument interest rate swaps, while the hedged items are debt securities at amortized cost. In October 2023 the Bank initiated a micro fair value hedge accounting relation in order to hedge the interest rate risk of the MREL fixed rate bond issued in the amount of EUR 300 mn and to decrease the net interest income volatility. The total accumulated amount of fair value adjustments of the hedged item is disclosed under the balance sheet position together with the hedged instrument and for hedging instrument is disclosed under "Derivatives – hedge accounting position" in the statement of financial position.

The net gain resulted from this hedge relationship at December 31, 2023 is RON 538 thousand, while at December 31, 2022 the Bank incurred a loss of RON 17 thousand. The remaining term for the hedging item is more than 5 years (February 2030) for debt securities at amortised cost and less than 3 years for the debt securities issued (October 2026).

The macro fair value hedge started in 2020 and the Bank uses as hedging instruments four interest rate swaps, while the hedged item is a loan portfolio at amortized cost.

The total accumulated amount of fair value adjustments of hedged item and hedging instruments is disclosed under "Fair value changes of the hedged items - hedge accounting", respectively "Derivatives – hedge accounting position" in the statement of financial position.

The net gain resulted from this hedge relationship at December 31, 2023 is RON 1,339 thousand, while at December 31, 2022 the gain is RON 1,937 thousand. The remaining term for the hedging items is less than 5 years.

The tables below provide more information regarding the hedged items and hedging instruments:

31 December 2023	Carrying amount of hedged items		Accumulated amount of fair value adjust-ments on the hedged items	
In RON thousand	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Micro fair value hedges				
Debt securities	28,469	–	–	–
Debt securities issued	–	1,475,601	–	–
	28,469	**1,475,601**	**–**	**–**
Macro fair value hedges				
Loan portfolio measured at amortized cost	238,947	–	–	4,940
	238,947	**–**	**–**	**4,940**
Total	**267,416**	**1,475,601**	**–**	**4,940**

31 December 2022	Carrying amount of hedged items		Accumulated amount of fair value adjust-ments on the hedged items	
In RON thousand	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Micro fair value hedges				
Debt securities	26,683	–	–	–
	26,683	**–**	**–**	**–**
Macro fair value hedges				
Loan portfolio measured at amortized cost	280,379	–	–	11,398
	280,379	**–**	**–**	**11,398**
Total	**307,062**	**–**	**–**	**11,398**

	31 December 2023		31 December 2022		
In RON thousand	**Notional amount**	**Liabilities**	**Notional amount**	**Liabilities**	**Assets**
Micro fair value hedges					
Interest rate swap	1,522,228	37,234	–	29,684	3,218
	1,522,228	**37,234**	**–**	**29,684**	**3,218**
Macro fair value hedges					
Interest rate swap	125,000	559	709	125,000	5,137
	125,000	**559**	**709**	**125,000**	**5,137**
Total	**1,647,228**	**37,793**	**709**	**154,684**	**8,355**

During the period, the results of the hedge effectiveness assessments showed that the hedge relationships were effective. No situations of hedge ineffectiveness were identified.

28. Other assets

	GROUP		BANK	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Payments	46,241	32,637	40,818	28,611
Tax audit (i)	93,606	85,383	93,606	85,383
Clearing claims from payment transfer business (ii)	148,205	230,525	148,205	230,525
Receivables from sale of loans	–	19,194	–	19,194
Sundry debtors (iii)	168,429	129,959	136,094	107,515
Inventories	7,629	7,749	7,611	7,704
Repossessed assets	24,614	24,667	24,467	24,360
Gross Book Value	**488,724**	**530,114**	**450,801**	**503,292**
Impairment	**(139,246)**	**(103,023)**	**(139,246)**	**(103,023)**
Net Book Value	**349,478**	**427,091**	**311,555**	**400,269**

(i) In the period December 2017–May 2019, the Bank had been subject to a fiscal audit from Romanian Tax Authority (further called "ANAF"). The object of the audit was income tax (period 2011-2016) and withholding tax (period 2013-2016). The fiscal audit report indicated total additional charges of RON 262,413 thousand which includes income tax, withholding tax and related penalties. The Bank has paid all the charges resulting from the fiscal inspection. In response, the Bank submitted an administrative appeal against the inspection report, requesting its cancellation. During 2020, the Bank received the answer to the appeal according to which the Bank is entitled to receive back 10% of all charges included in the tax report. The Bank continued legal procedures for the recovery of the remaining amounts and initiated a litigation in this respect.

As of 31 December 2023 the maximum exposure related to fiscal audit is RON 195,965 thousand resulted from:
(+) RON 262,413 thousand, total charges as result of tax audit paid by the Bank in 2019
(-) RON 27,605 thousand, refund from the administrative appeal resolution received in 2020
(-) RON 38,689 thousand, refund to be received for year 2011 that should not have been in the scope of audit.

The Bank reviewed the provision for the litigation with ANAF and recognized an additional amount of RON 23,090 thousand as of December 31, 2023.

The amounts receivable from the tax audit are presented under two balance sheet positions: other assets (the part representing withholding taxes and related penalties) and income tax receivable (the part representing income tax and related penalties). As of December 31, 2023, the amount reflected under other assets is RON 93,606 thousand (December 31, 2022: RON 85,383 thousand) and the correspondent provision is RON 85,431 thousand (December 31, 2022: RON 53,985 thousand). As of December 31, 2023, the amount reflected under income tax receivable is RON 143,246 thousand (December 31, 2022: RON 130,129 thousand) and the correspondent provision is RON 93,784 thousand December 31, 2022: RON 56,280 thousand).

(ii) Clearing claims from payment transfer business include amounts to be settled as of December 31, 2023 like: cards transactions of RON 123,825 thousand (2022: RON 225,599 thousand).

(iii) Sundry debtors include various receivables such for: services provided by the Bank to its customers (such as for cash transportation), advances paid to suppliers, amounts receivables as a result of operational incidents, etc.

In the tables below is presented the movement in impairment of other assets position:

Group

In RON thousand

	Impairment as at 1 January 2023	Increase	Decrease	Other movements	Impairment as at 31 December 2023
Sundry debtors	34,818	12,094	(9,350)	–	37,562
Tax audit	53,985	23,223	–	8,223	85,431
Repossessed assets	13,642	1,341	(29)	–	14,954
Inventory	578	759	(38)	–	1,299
Total	**103,023**	**37,417**	**(9,417)**	**8,223**	**139,246**

Group

In RON thousand

	Impairment as at 1 January 2022	Increase	Decrease	Impairment as at 31 December 2022
Sundry debtors	49,908	17,919	(33,009)	34,818
Tax audit	53,985	–	–	53,985
Repossessed assets	9,715	4,018	(91)	13,642
Inventory	159	1,599	(1,180)	578
Total	**113,767**	**23,536**	**(34,280)**	**103,023**

Bank

In RON thousand

	Impairment as at 1 January 2023	Increase	Decrease	Other movements	Impairment as at 31 December 2023
Sundry debtors	34,818	12,094	(9,350)	–	37,562
Tax audit	53,985	23,223	–	8,223	85,431
Repossessed assets	13,642	1,341	(29)	–	14,954
Inventory	578	759	(38)	–	1,299
Total	**103,023**	**37,417**	**(9,417)**	**8,223**	**139,246**

Bank

In RON thousand

	Impairment as at 1 January 2022	Increase	Decrease	Impairment as at 31 December 2022
Sundry debtors	49,908	17,919	(33,009)	34,818
Tax audit	53,985	–	–	53,985
Repossessed assets	9,715	4,018	(91)	13,642
Inventory	159	1,599	(1,180)	578
Total	**113,767**	**23,536**	**(34,280)**	**103,023**

In the tables below is presented the split of other assets to customers by their quality:

	GROUP		BANK	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Financial assets	193,637	290,875	161,302	268,432
Non-financial assets	155,841	136,216	150,254	131,837
Total	**349,478**	**427,091**	**311,556**	**400,269**

Of which:

	GROUP		BANK	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Current assets	158,791	256,843	126,456	234,400
Impaired assets	34,846	34,032	34,846	34,032
Total	**193,637**	**290,875**	**161,302**	**268,432**

29. Deferred tax

Deferred tax assets of the Group are attributable to the items detailed in the tables below:

Group

In RON thousand				**31 December 2023**
	Assets	**Liabilities**	**Net**	**Deferred tax asset/liability**
Property, plant and equipment and intangible assets	1,113	146,070	(144,957)	(23,193)
Other liabilities	278,768	–	278,768	44,603
Actuarial gains/losses on defined benefit pension plans	3,018	–	3,018	483
Valuation reserve financial assets (FVOCI)	130,332	61,478	68,854	11,017
Provisions for liabilities and charges	122,466	–	122,466	19,594
Total	**535,697**	**207,548**	**328,149**	**52,504**

Group

In RON thousand				**31 December 2022**
	Assets	**Liabilities**	**Net**	**Deferred tax asset/liability**
Property, plant and equipment and intangible assets	1,012	160,201	(159,189)	(25,470)
Other liabilities	247,982	330	247,652	39,624
Actuarial gains/ losses on defined benefit pension plans	–	1,964	(1,964)	(314)
Valuation reserve financial assets (FVOCI)	298,660	40,355	258,305	41,329
Provisions for liabilities and charges	237,917	–	237,917	38,066
Total	**785,571**	**202,850**	**582,721**	**93,235**

Deferred tax assets of the Bank are attributable to the items detailed in the tables below:

Bank

In RON thousand | 31 December 2023

	Assets	Liabilities	Net	Deferred tax asset/liability
Property, plant and equipment and intangible assets	1,113	146,070	(144,957)	(23,193)
Other liabilities	278,768	–	278,768	44,603
Actuarial gains/losses on defined benefit pension plans	3,018	–	3,018	483
Valuation reserve financial assets (FVOCI)	130,332	61,478	68,854	11,017
Provisions for liabilities and charges	120,286	–	120,286	19,245
Total	**533,517**	**207,548**	**325,969**	**52,155**

Bank

In RON thousand | 31 December 2022

	Assets	Liabilities	Net	Deferred tax asset/liability
Property, plant and equipment and intangible assets	1,012	160,201	(159,189)	(25,470)
Other liabilities	247,982	330	247,652	39,624
Actuarial gains/ losses on defined benefit pension plans	–	1,964	(1,964)	(314)
Valuation reserve financial assets (FVOCI)	298,660	40,355	258,305	41,329
Provisions for liabilities and charges	215,913	–	215,913	34,546
Total	**763,567**	**202,850**	**560,717**	**89,715**

Expenses and income deferred tax as at December 31, 2023 are attributable to the items detailed in the table below:

	GROUP		BANK	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Property, plant and equipment and intangible assets	2,277	(9,552)	2,277	(9,552)
Valuation reserve financial assets	–	–	–	–
Other liabilities	4,979	12,973	4,978	12,973
Deferred tax income/(expense))	(18,394)	17,615	(15,300)	17,401
Deferred tax income/(expense))	**(11,138)**	**21,036**	**(8,045)**	**20,822**

Deferred tax related to items recognized in other comprehensive income during the year is due to unrealized gain/loss on financial assets (FVOCI) of previous year.

30. Property, plant and equipment and right-of-use assets

Group

In RON thousand

	Land and buildings	Furniture and computer equipment	Motor vehicles	Assets in progress	Righ-of-Use assets – Land and buildings	Total
Cost						
Balance at 1 January 2022	**198,018**	**450,793**	**36,918**	**30,602**	**526,150**	**1,242,481**
Additions	49	2,835	238	65,133	60,711	128,966
Transfers	9,865	27,278	8,188	(45,331)	–	–
Disposals	(7,382)	(9,425)	(1,581)	–	(8,286)	(26,674)
Balance at 31 December 2022	**200,550**	**471,481**	**43,763**	**50,404**	**578,575**	**1,344,773**
Balance at 1 January 2023	**200,550**	**471,481**	**43,763**	**50,404**	**578,575**	**1,344,773**
Additions	1,514	6,674	3,711	36,115	105,067	153,081
Transfers	4,756	49,931	1,779	(56,466)	–	–
Disposals	(1,307)	908	(4,474)	–	(18,041)	(22,914)
Balance at 31 December 2023	**205,513**	**528,994**	**44,779**	**30,053**	**665,601**	**1,474,940**
Depreciation and impairment losses:						
Balance at 1 January 2022	**160,489**	**318,881**	**29,606**	**4,111**	**251,679**	**764,766**
Charge for the year	11,963	44,444	3,931	–	110,366	170,704
Disposals	(6,727)	(8,954)	(1,584)	(1,646)	(6,607)	(25,518)
Balance at 31 December 2022	**165,725**	**354,371**	**31,953**	**2,465**	**355,438**	**909,952**
Balance at 1 January 2023	**165,725**	**354,371**	**31,953**	**2,465**	**355,438**	**909,952**
Charge for the year	11,515	47,829	4,036	–	82,061	145,441
Disposals	(752)	(954)	(5,913)	113	(9,685)	(17,191)
Balance at 31 December 2023	**176,488**	**401,246**	**30,076**	**2,578**	**427,814**	**1,038,202**
Carrying amounts						
At 1 January 2022	**37,529**	**131,912**	**7,312**	**26,491**	**274,471**	**477,715**
At 31 December 2022	**34,825**	**117,110**	**11,810**	**47,939**	**223,137**	**434,821**
At 1 January 2023	**34,825**	**117,110**	**11,810**	**47,939**	**223,137**	**434,821**
At 31 December 2023	**29,025**	**127,748**	**14,703**	**27,475**	**237,787**	**436,738**

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	Righ-of-Use assets – Land and buildings	Total
Cost						
Balance at 1 January 2022	**197,994**	**451,148**	**34,538**	**26,744**	**526,150**	**1,236,574**
Additions	–	2,722	–	65,133	60,711	128,566
Transfers	9,865	27,278	8,188	(45,331)	–	–
Disposals	(7,382)	(9,590)	(2,130)	–	(8,286)	(27,388)
Balance at 31 December 2022	**200,477**	**471,558**	**40,596**	**46,546**	**578,575**	**1,337,752**
Balance at 1 January 2023	**200,477**	**471,558**	**40,596**	**46,546**	**578,575**	**1,337,752**
Additions	1,399	5,909	3,550	39,227	97,526	147,611
Transfers	4,756	49,931	1,779	(56,466)	–	–
Disposals	(1,930)	(3,325)	(6,542)	–	(12,052)	(23,849)
Balance at 31 December 2023	**204,702**	**524,073**	**39,383**	**29,307**	**664,049**	**1,461,514**
Depreciation and impairment losses:						
Balance at 1 January 2022	**161,145**	**317,510**	**26,513**	**3,365**	**251,679**	**760,212**
Charge for the year	11,733	44,147	3,438	–	110,366	169,684
Disposals	(6,679)	(9,119)	(2,066)	(1,646)	(6,607)	(26,117)
Balance at 31 December 2022	**166,199**	**352,538**	**27,885**	**1,719**	**355,438**	**903,779**
Balance at 1 January 2023	**166,199**	**352,538**	**27,885**	**1,719**	**355,438**	**903,779**
Charge for the year	11,261	47,553	3,739	–	81,038	143,591
Disposals	(752)	(3,170)	(6,454)	113	(7,017)	(17,280)
Balance at 31 December 2023	**176,708**	**396,921**	**25,170**	**1,832**	**429,459**	**1,030,090**
Carrying amounts:						
At 1 January 2022	**36,849**	**133,638**	**8,025**	**23,379**	**274,471**	**476,362**
At 31 December 2022	**34,278**	**119,020**	**12,711**	**44,827**	**223,137**	**433,973**
At 1 January 2023	**34,278**	**119,020**	**12,711**	**44,827**	**223,137**	**433,973**
At 31 December 2023	**27,994**	**127,152**	**14,213**	**27,475**	**234,590**	**431,424**

Group: Purchases of property, plant and equipment during year 2023 were in amount of RON 48,014 thousand (2022: RON 68,255 thousand).

Bank: Purchases of property, plant and equipment during year 2023 were in amount of RON 50,085 thousand (2022: RON 67,855 thousand).

Movement in the Right-of-Use Assets is detailed in the table below:

	GROUP	BANK
In RON thousand	Land and buildings	Land and buildings
Balance at 1 January 2023	**223,137**	**223,137**
Additions	100,723	97,526
Depreciation expense	(87,376)	(87,376)
Impairment release/charges	6,338	6,338
Disposals and other decreases	(5,035)	(5,035)
Contractual changes	–	–
Balance at 31 December 2023	**237,787**	**234,590**

	GROUP	BANK
In RON thousand	Land and buildings	Land and buildings
Balance at 1 January 2022	**274,471**	**274,471**
Additions	63,726	63,726
Depreciation expense	(85,751)	(85,751)
Impairment charges	(24,615)	(24,615)
Disposals and other decreases	(6,607)	(6,607)
Contractual changes	1,913	1,913
Balance at 31 December 2022	223,137	223,137

Movement in the lease liability is detailed in the table below:

	GROUP	BANK
In RON thousand	Land and buildings	Land and buildings
Balance at 1 January 2023	**259,291**	**258,964**
Additions	95,172	92,671
Interest expense	4,322	4,322
Disposals and other decreases	–	–
Payments	(96,364)	(96,364)
Other movements (FX, contractual changes, interest paid)	1,260	1,260
Balance at 31 December 2023	**263,681**	**260,853**

	GROUP	BANK
In RON thousand	Land and buildings	Land and buildings
Balance at 1 January 2022	**286,460**	**286,103**
Additions	59,047	59,077
Interest expense	2,148	2,148
Disposals and other decreases	–	–
Payments	(88,329)	(88,329)
Other movements (FX, contractual changes, interest paid)	(35)	(35)
Balance at 31 December 2022	**259,291**	**258,964**

31. Intangible assets

Group

In RON thousand

	Purchased software	Assets in progress	Total
Cost			
Balance at 1 January 2022	**862,689**	**97,884**	**960,573**
Additions	1,415	131,429	132,844
Transfers	149,721	(149,721)	–
Disposals	(1,959)	–	(1,959)
Balance at 31 December 2022	**1,011,866**	**79,592**	**1,091,458**
Balance at 1 January 2023	**1,011,866**	**79,592**	**1,091,458**
Additions	2,529	182,318	184,847
Transfers	165,148	(165,148)	–
Disposals	(74,051)	(76)	(74,127)
Balance at 31 December 2023	**1,105,492**	**96,686**	**1,202,178**
Amortization and impairment losses:			
Balance at 1 January 2022	**611,473**	**–**	**611,473**
Charge for the year	88,423	–	88,423
Disposals	(1,942)	–	(1,942)
Balance at 31 December 2022	**697,954**	**–**	**697,954**
Balance at 1 January 2023	**697,954**	**–**	**697,954**
Charge for the year	129,261	–	129,261
Disposals	(72,399)	–	(72,399)
Balance at 31 December 2023	**754,816**	**–**	**754,816**
Carrying amounts:			
At 1 January 2022	**251,216**	**97,884**	**349,100**
At 31 December 2022	**313,912**	**79,592**	**393,504**
At 1 January 2023	**313,912**	**79,592**	**393,504**
At 31 December 2023	**350,676**	**96,686**	**447,362**

Bank

Ini RON thousand

	Purchased software	Assets in progress	Total
Cost			
Balance at 1 January 2022	**836,950**	**97,283**	**934,233**
Additions	–	131,271	131,271
Transfers	149,721	(149,721)	–
Disposals	(1,959)	–	(1,959)
Balance at 31 December 2022	**984,712**	**78,833**	**1,063,545**
Balance at 1 January 2023	**984,712**	**78,833**	**1,063,545**
Additions	–	182,615	182,615
Transfers	165,148	(165,148)	–
Disposals	(74,150)	–	(74,150)
Balance at 31 December 2023	**1,075,710**	**96,300**	**1,172,010**
Amortization and impairment losses:			
Balance at 1 January 2022	**587,923**	**–**	**587,923**
Charge for the year	87,358	–	87,358
Disposals	(1,942)	–	(1,942)
Balance at 31 December 2022	**673,339**	**–**	**673,339**
Balance at 1 January 2023	**673,339**	**–**	**673,339**
Charge for the year	127,954	–	127,954
Disposals	(72,400)	–	(72,400)
Balance at 31 December 2023	**728,893**	**–**	**728,893**
Carrying amounts:			
At 1 January 2022	**249,027**	**97,283**	**346,310**
At 31 December 2022	**311,373**	**78,833**	**390,206**
At 1 January 2023	**311,373**	**78,833**	**390,206**
At 31 December 2023	**346,817**	**96,300**	**443,117**

Group: Purchases of intangible assets during year 2023 were in amount of RON 184,847 thousand (2022: RON 132,844 thousand).

Bank: Purchases of intangible assets during year 2023 were in amount of RON 182,615 thousand (2022: RON 131,271 thousand).

32. Deposits from banks

	GROUP		BANK	
In RON thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Payable on demand	433,525	535,364	433,525	535,364
Term deposits	61,403	42,742	61,403	42,742
Total	**494,928**	**578,106**	**494,928**	**578,106**

33. Deposits from customers

	GROUP		BANK	
In RON thousand	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Payable on demand				
Retail customers	21,213,976	24,678,579	21,201,259	24,663,346
Non-retail customers	8,841,670	8,798,157	8,943,020	8,861,140
	30,055,646	**33,476,736**	**30,144,279**	**33,524,486**
Term deposits				
Retail customers	18,704,930	11,436,144	18,704,930	11,436,144
Non-retail customers	5,639,608	4,320,631	5,639,608	4,320,631
	24,344,538	**15,756,775**	**24,344,538**	**15,756,775**
Savings accounts				
Retail customers	54	57	54	57
	54	**57**	**54**	**57**
Total	**54,400,238**	**49,233,568**	**54,488,871**	**49,281,318**

34. Total long term debt

Long term-debt includes debt securities issued, senior loans and subordinated loans from banks, as presented in the table below:

	GROUP		BANK	
In RON thousand	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Senior loans from banks and financial institutions	488,558	390,285	1,745	3,943
Of which unsecured	304,058	109,975	–	–
Debt securities issued	5,555,004	3,887,808	5,555,004	3,887,808
Subordinated liabilities	326,115	323,726	326,015	323,678
Total	**6,369,677**	**4,601,819**	**5,882,764**	**4,215,429**

(i) Senior loans from banks and financial institutions are detailed in the table from below:

	GROUP		BANK	
In RON thousand	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Commercial banks	304,058	109,975	–	–
Multilateral Development Banks	182,755	276,367	–	–
Other financial institutions	1,745	3,943	1,745	3,943
Total loans from banks and financial institutions	**488,558**	**390,285**	**1,745**	**3,943**

The loans received from banks and other financial institutions are denominated in EUR and RON, with a final maturity which varies between December 2024 and December 2028.

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, 2023, the Group has commitments received from credit institutions in amount of EUR 50,000 thousand (December 31, 2022: EUR 50,000 thousand).

As of December 31, 2023, the Bank has commitments received from credit institutions in amount of EUR 50,000 thousand (December 31, 2022: EUR 50,000 thousand).

(ii) Debt securities issued

Group: The balance of debt securities issued as at December 31, 2023 (taking into account also the unsecured subordinated bonds), including accrued interest, is in amount of RON 5,555,004 thousand (December 31, 2022: RON 3,887,808 thousand).

Bank: The balance of debt securities issued as at December 31, 2023 (taking into account also the unsecured subordinated bonds), including accrued interest, is in amount of RON 5,555,004 thousand (December 31, 2022: RON 3,887,808 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 as defined by Regulation (EU) No. 575/2013. The instruments bear variable rate and have maturity on 19 December 2029. Initially the bonds were subscribed by private investors through a private placement process. According to the terms and conditions of the issuance, the bonds were admitted to trading on the Regulated Spot Market of the Bucharest Stock Exchange on 14th of May 2020, under ISIN code: ROJX86UZW1R4.

On 14 May 2021 the Bank issued its inaugural Senior Preferred (SP) RON-denominated green bond in nominal amount of RON 400,575 thousand bearing a fixed rate coupon with the final maturity on 14 May 2026. The notes have an early redemption feature at the option of the Issuer, subject to prior regulatory approval, with the call redemption date on 14 May 2025. The instruments were issued under the Bank's EMTN programme which was established at the end of April 2021. The notes are expected to be eligible for MREL (Minimum Requirement for Own Funds and Eligible Liabilities). The bonds were listed on the Luxembourg Stock Exchange on 18 May 2021, under ISIN code XS2339508587 and were included in the LGX – Green Exchange platform, dedicated solely to the Green and Sustainable bonds. The notes were passported on 27th of May 2021 on the Regulated Spot Market of the Bucharest Stock Exchange under the same ISIN (Symbol RBRO26).

On 11 June 2021, under the EMTN programme, the Bank issued its first Senior Non-Preferred (SNP) RON-denominated green bond, in nominal amount of RON 1,207,500 thousand bearing a fixed rate coupon, with the maturity date on 11 June 2028 and an early redemption feature at the option of the Issuer on 11 June 2027, subject to prior regulatory approval. The notes are expected to be eligible for MREL (Minimum Requirement for Own Funds and Eligible Liabilities). The bonds were listed on the Luxembourg Stock Exchange – LGX platform on 15 June 2021 under ISIN: XS2349343256 and on 2 July 2021 were passported on the Regulated Spot Market of the Bucharest Stock Exchange, under the same ISIN (Symbol RBRO28).

Under the EMTN programme, which was successfully updated in April 2022, the Bank issued on 15th of June 2022 the second RON-denominated green bond in Senior Non-Preferred (SNP) format, in nominal amount of RON 525,000 thousand, with a fixed rate coupon, having the final maturity date on 15th of June 2027 and the early redemption feature at the option of the Issuer on 15th of June 2026. Similar to the 2021 green issuances, the notes are expected to be eligible for MREL (Minimum Requirement for Own Funds and Eligible Liabilities) and were listed on the Luxembourg Stock Exchange – LGX platform on 15 June 2022 under ISIN: XS2489289053 and on 24 June 2022 were passported on the Regulated Spot Market of the Bucharest Stock Exchange, under the same ISIN (Symbol RBRO27).

In the second part of the year 2022, the Bank issued three RON-denominated bonds in sustainable format bearing fixed interest payable annually, with a total nominal amount of RON 1,195,425 thousand, out of which two in senior non-preferred format (SNP) in the amount of RON 869,925 thousand. The bonds have a final maturity of 5 years from the date of issue, with the possibility of early redemption 1 year prior to maturity at the option of the issuer and were listed on the Luxembourg Stock Exchange and on the regulated market of the Bucharest Stock Exchange, with the following ISINs: XS2511879160, XS2539944012, XS2556373046. The three bonds were issued in order to meet the minimum own funds and eligible debt requirement (MREL).

On 31st of March 2023, the Bank issued a new Senior Non-Preferred (SNP) note due on 7th of December 2027, under the second tranche of series no. 6 issued on 7th of December 2022, with a total amount of RON 119,175 thousand as part of the reopening of the last sustainable bond series. Thus, the bond issuance of series no. 6 reaches a total notional of RON 488.25 million.

The Bank continued to issue sustainability bonds in the second half of 2023 and, in a premiere for the Romanian banking sector, the Bank issued the first sustainability Eurobonds in senior non-preferred format on the international capital markets with a total amount of EUR 300 million. The bonds have a fixed coupon of 7% in the first three years and a final maturity of four years with the possibility of early redemption 1 year prior to maturity at the option of the issuer and were listed on the Luxembourg Stock Exchange (ISIN: XS2700245561). The bond enabled the bank to meet the fully phased in MREL requirements applicable starting with 1st January 2024. The total MREL stack outstanding at the end of 2023 has exceeded RON 4.9 billion.

(iii) Subordinated liabilities

The balance of subordinated liabilities as at December 31, 2023, in RON equivalents, including accrued interest is RON 326,115 thousand (December 31, 2022: RON 323,726 thousand).

All subordinated loans are granted by Raiffeisen Bank International A.G. In addition, the subordinated bond subscribed by private investors (December 31, 2023: RON 481,193 thousand) has been included in the above section (ii).

The below tables show the split of total long term debt by contractual maturities as of December 31, 2023:

Group

In RON thousand

	Less than 1 year	Over 1 year	Total
Senior loans from banks and financial institutions	4,914	483,644	488,558
Of which unsecured	–	304,058	304,058
Debt securities issued	134,949	5,420,055	5,555,004
Subordinated loans	2,766	323,349	326,115
Total	**142,629**	**6,227,048**	**6,369,677**

Bank

In RON thousand

	Less than 1 year	Over 1 year	Total
Senior loans from banks and financial institutions	864	881	1,745
Of which unsecured	–	–	–
Debt securities issued	134,949	5,420,055	5,555,004
Subordinated loans	2,666	323,349	326,015
Total	**138,479**	**5,744,285**	**5,882,764**

The below tables show the split of total long term debt by contractual maturities as of December 31, 2022:

Group

In RON thousand

	Less than 1 year	Over 1 year	Total
Senior loans from banks and financial institutions	33,334	356,951	390,285
Of which unsecured	7,537	102,438	109,975
Debt securities issued	79,308	3,808,500	3,887,808
Subordinated loans	2,145	321,581	323,726
Total	**114,787**	**4,487,032**	**4,601,819**

Bank

In RON thousand

	Less than 1 year	Over 1 year	Total
Senior loans from banks and financial institutions	2,197	1,746	3,943
Of which unsecured	–	–	–
Debt securities issued	79,308	3,808,500	3,887,808
Subordinated loans	2,097	321,581	323,678
Total	**83,602**	**4,131,827**	**4,215,429**

35. Other liabilities

	GROUP		BANK	
In RON thousand	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Lease liability	263,681	259,291	260,853	258,964
Amounts due to state budget for social security	54,424	49,783	53,519	49,225
Short-term employee benefits	108,754	106,383	108,624	106,253
Accrual for suppliers	234,765	194,303	234,583	194,302
Cash in transit (i)	579,274	343,116	579,274	343,116
Deferred income	69,377	61,108	55,622	45,955
Other liabilities (ii)	320,911	408,885	287,607	368,546
Total	**1,631,186**	**1,422,869**	**1,580,082**	**1,366,361**

(i) Cash in transit includes payments which should be settled with other banks of RON 307,815 thousand (2022: RON 186,524 thousand) and receipts which should be settled with current accounts RON 271,459 thousand (2022: RON 156,592 thousand).

(ii) Other liabilities include credit cards of RON 62,214 thousand (2022: RON 137,715 thousand), liabilities due to customers of RON 179,256 thousand (2022: 183,617 thousand RON) and deposits representing the share capital at companies in course of set-up of RON 7,312 thousand (2022: RON 10,045 thousand).

36. Provisions

In RON thousand	GROUP 31 December 2023	GROUP 31 December 2022	BANK 31 December 2023	BANK 31 December 2022
Provisions for litigations and potential risks (i)	29,663	108,974	29,355	108,972
Provision for un-drawn commitments (ii)	54,218	87,235	53,677	86,667
Provision for employee benefits	474	397	–	–
Defined benefit plan (iii)	45,388	32,685	45,388	32,685
Provisions for severance payments and similar obligations	5,128	737	5,128	737
Sundry provisions	25,106	3,374	15,833	1,015
Total	**159,977**	**233,402**	**149,381**	**230,076**

(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, 2023, the provisions related to individual consumer loan litigations amounted to 3,771 RON thousand (2022: RON 3,875 thousand). They are due to contractual clauses that may generate losses because they are considered unfair by customers. The existing provisions are both for ongoing litigations and for potential ones (which might result in litigations in the future).

b. Order no 837 dated October 20, 2017 received from the National Authority for Consumer Protection
The Romanian consumer protection authority ("ANPC") has issued an order for the Bank stop its alleged practice of "not informing its customers about future changes in the interest rate charged to the customers". The Bank disputed the order in court, but finally lost. The Bank has completed the implementation by reimbursing the amounts to affected consumers. Based on the latest calculations, as of December 31, 2023 the remaining amounts to be paid is RON 16.1 million representing amounts to be paid after identifying the payment details of the customers who no longer have accounts opened in the Bank.

c. Order no. 234 of September 3, 2021, received from the National Authority for Consumer Protection
On July 2014 ANPC issued Order number 280 which contains a decision requesting the Bank to stop the incorrect practice of including the administration fee in the Bank's margin, at the implementation of the restructuring acts. The Bank was furthered sanctioned for not implementing the ANPC Order 280/2014.

Subsequently, ANPC issued Order no. 234/2021, which ordered the application of the additional sanction of suspending the activity of the banking institution, Raiffeisen Bank SA, with regard to the unfair commercial practice consisting in the unilateral decision of the Bank to increase the margins of the interest component at the time of loan restructuring, by introducing the management fee, which the Bank expressly waived by the additional acts signed with the clients, and to refund the amounts incorrectly collected by the consumers.

Against the order, the Bank filed an action for annulment, which is suspended until the resolution of the appeal against the minutes issued by National Authority for Consumer Protection, an action which was won by the Bank, and the ANPC filed an appeal (there is no deadline set for the appeal).

Also, the Bucharest Court of Appeal ordered the suspension of the execution of Order no.234/2021 until the resolution of the action to cancel the order, a decision that was not appealed by ANPC.

At the end of 2023 the existing provisions will be derecognized (RON 34.2 million), as there are no material risks associated.

d. The litigation between Aedificium Banca pentru Locuințe S.A. and the Romanian Court of Auditors
The Romanian Court of Auditors claimed that several deficiencies were identified and that conditions for payment by ABL of the state premiums on savings have not been met. ABL initiated a court dispute against the findings of the Romanian Court of Auditors, and in November 2020 lost the trial. During 2022 ABL used a legal provision allowing entities to pay debts towards the state (principal) and be exonerated from payment of accessories. ABL has calculated the prejudice and paid the principal (RON 115 million) and filed for fiscal amnesty of accessories (RON 151 million).

The ministry has denied the request for amnesty and the ABL has disputed the denial in court and won on the merits. The Ministry disputed the first court decision. In December 2022, the Ministry of Development, Public Works and Administration has issued a title and asked ABL to pay also the penalties within 30 days. ABL disputed the payment request both at the ministry level and in court and also filed a motion in court, to ask for a suspension of the payment request, given that considers that amnesty should have been granted. The suspension has been won by ABL on merits.

(ii) For off balance sheet commitments, provisions are calculated by multiplying net exposure (gross exposure minus collateral value) with historical loss rates specific for each risk category, further adjusted with the credit conversion factor. The credit conversion factor represents the Bank's expectations of the respective loan commitment to become a balance sheet exposure over its expected life.

(ii) The defined benefit plan 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 of 31 December 2023 using indicators such as: remaining number of years with the company up to retirement, probability that employee will stay with the company up to retirement, current salary, average number of salaries paid as benefit at retirement, age, sex, expected age of retirement as per current legislation.

Movement in defined benefits obligations

In RON thousand	31 December 2023	31 December 2022
Opening defined benefit obligation	**32,685**	**29,507**
Total service cost	353	4,404
Benefits paid	–	–
Interest cost on benefit obligation	4,232	738
Other changes	3,533	–
Actuarial (gains)/losses arising from changes in demographic assumptions	–	–
Actuarial (gains)/losses arising from changes in financial assumptions	4,585	(1,964)
Closing defined benefit obligation	**45,388**	**32,685**

Main actuarial assumptions:

In RON thousand	31 December 2023	31 December 2022
Discount rate	4.79% – 7.28%	5% – 9.1%
Average long term inflation rate	3.15%	7.75%
Average remaining working period (years)	26.25	26

Sensitivities on the defined benefit obligation
The results of any valuation depend upon the assumptions employed. Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase.

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate used were 0.5% higher, then the defined benefit obligation would be lower by about 3.11%, meaning RON 1,412 thousand.
- If the discount rate used were 0.5% lower, then the defined benefit obligation would be higher by about 3.28%, meaning RON 1,489 thousand.
- If the salary increase rate used were 0.5% higher, then the defined benefit obligation would be higher by about 3.35%, meaning RON 1,520 thousand.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position. The eventual cost of providing the benefits depends on the current future experience. Other factors such as the number of new employees could also change the cost.

During 2023 the provisions can be further analyzed as follows:

Group

In RON thousand

	Opening balance	Allocation	Release	Usage	Other movements	FX difference	Closing balance
Provisions for litigations and potential risks	108,974	791	(34,207)	(46,261)	–	366	29,663
Provision for un-drawn commitments	87,235	–	(33,080)	–	–	63	54,218
Provisions for employee benefits	397	77	–	–	–	–	474
Defined benefit plan	32,685	3,885	–	–	8,818	–	45,388
Provisions for severance payments and similar obligations	737	4,391	–	–	–	–	5,128
Sundry provisions	3,374	21,732	–	–	–	–	25,106
TOTAL	**233,402**	**30,876**	**(67,287)**	**(46,261)**	**8,818**	**429**	**159,977**

During 2022 the provisions can be further analyzed as follows:

Group

In RON thousand

	Opening balance	Allocation	Release	Usage	Other move-memnts	FX differ-ence	Closing balance
Provisions for litigations and potential risks	301,667	1,832	(8,075)	(188,460)	–	2,010	108,974
Provision for un-drawn commitments	77,008	10,439	–	–	–	(212)	87,235
Provisions for employee benefits	322	75	–	–	–	–	397
Defined benefit plan	29,507	3,178	–	–	–	–	32,685
Provisions for overdue vacations*	21,011	–	–	–	(21,011)	–	–
Provisions for severance payments and similar obligations	1,126	–	(389)	–	–	–	737
Sundry provisions	2,941	433	–	–	–	–	3,374
TOTAL	**433,582**	**15,957**	**(8,464)**	**(188,460)**	**(21,011)**	**1,798**	**233,402**

*) Provisions for overdue vacations were reclassified into other liabilities caption.

During 2023 the provisions can be further analyzed as follows:

Bank

In RON thousand

	Opening balance	Allocation	Release	Usage	Other movements	FX difference	Closing balance
Provisions for litigations and potential risks	108,972	485	(34,207)	(46,261)	–	366	29,355
Provision for un-drawn commitments	86,667	–	(33,053)	–	–	63	53,677
Defined benefit plan	32,685	3,885	–	–	8,818	–	45,388
Provisions for severance payments and similar obligations	737	4,391	–	–	–	–	5,128
Sundry provisions	1,015	14,818	–	–	–	–	15,833
TOTAL	**230,076**	**23,579**	**(67,260)**	**(46,261)**	**8,818**	**429**	**149,381**

During 2022 the provisions can be further analyzed as follows:

Bank

In RON thousand

	Opening balance	Allocation	Release	Usage	Other movements	FX difference	Closing balance
Provisions for litigations and potential risks	188,339	269	(8,075)	(73,571)	–	2,010	108,972
Provision for un-drawn commitments	76,525	10,354	–	–	–	(212)	86,667
Provisions for employee benefits	–	–	–	–	–	–	–
Defined benefit plan	29,507	4,404	–	–	(1,226)	–	32,685
Provisions for overdue vacations*	20,999	–	–	–	(20,999)	–	–
Provisions for severance payments and similar obligations	1,126	–	(389)	–	–	–	737
Sundry provisions	1,013	2	–	–	–	–	1,015
TOTAL	**317,509**	**15,029**	**(8,464)**	**(73,571)**	**(22,225)**	**1,798**	**230,076**

*) Provisions for overdue vacations were reclassified into other liabilities caption.

37. Share capital

As of December 31, 2023 the number of shares is 12,000 and there were no changes in shares structure. Share capital in amount of RON 1.2 bln consists in 12,000 shares with a nominal value of RON 100,000/share.

During 2023, Raiffeisen Bank S.A paid dividends from 2022 profit to its shareholders in amount of RON 617,400 thousand which represents a dividend of RON 51,450/share (2022: RON dividends from 2021 profit to its shareholders in amount of RON 396,000 thousand which represents a dividend of RON 33,000/share).

The shareholders of the Group are as follows:

	31 December 2023 %	31 December 2022 %
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 125 million (2022: EUR 125 million) and have been purchased by Raiffeisen Bank International A.G. (please refer to *Note 40 Related party transactions*).

During 2023, Raiffeisen Bank S.A paid cupon in amount of 64,459 thousand RON (2022: RON 18,742).

39. Other reserves

	GROUP		BANK	
In RON thousand	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Statutory reserve	242,128	242,128	240,000	240,000
Fair value loss taken to equity (net of tax), investment securities FVOCI	(59,308)	(219,331)	(57,752)	(217,639)
Actuarial gains or (-) losses on defined benefit pension plans	(2,621)	1,964	(2,621)	1,964
Total	**180,199**	**24,761**	**179,627**	**24,325**

The table below presents the fair value reserve for financial assets FVOCI:

	GROUP		BANK	
In RON thousand	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
At 1 January	**(219,331)**	**(104,211)**	**(217,639)**	**(101,943)**
Change in fair value reserve (for financial assets FVOCI)	160,023	(115,120)	159,887	(115,696)
At 31 December	**(59,308)**	**(219,331)**	**(57,752)**	**(217,639)**

40. Related party transactions

The Group entered into a number of banking transactions with Raiffeisen Bank International AG, the ultimate controlling party, and its subsidiaries in the normal course of business.

The transactions and balances with related parties are presented in tables below:

Group

In RON thousand

					2023
	Ultimate controlling entity	Associates	Key Personnel	Other interest	Total
Trading assets	605	–	–	–	605
Derivative assets held for risk management	16,975	–	–	–	16,975
Loans and advances to banks at amortized cost	79,830	–	–	957	80,787
Investment in subsidiaries, associates and joint ventures	–	18,853	–	–	18,853
Equity instruments at fair value through other comprehensive income	–	–	–	90,579	90,579
Derivatives – hedge accounting	37,793	–	–	–	37,793
Loans and advances to customers at amortized cost	–	22,978	5,916	33,112	62,006
Property, equipment and right-of-use assets	732	–	–	82,150	82,882
Other assets	7,974	–	28	21,085	29,087
Outstanding assets	**143,909**	**41,831**	**5,944**	**227,883**	**419,567**
Derivative liabilities held for risk management	675	–	–	–	675
Fair value changes of the hedged items – liability	4,940	–	–	–	4,940
Derivatives – hedge accounting	709	–	–	–	709
Trading liabilities	3,471	–	–	–	3,471
Deposits from banks	202,783	–	–	2,941	205,724
Deposits from customers	–	7,409	29,014	162,874	199,297
Loans from banks and other financial institutions	150,851	–	–	–	150,851
Subordinated loans	326,115	–	–	–	326,115
Other equity instruments	609,298	–	–	–	609,298
Other liabilities	62,628	5,028	7	119,003	186,666
Outstanding liabilities	**1,361,470**	**12,437**	**29,021**	**284,818**	**1,687,746**
Commitments given	–	20,000	–	44,771	64,771
Guarantees issued	118,508	–	–	16,638	135,146
Commitments received	248,730	–	–	–	248,730
Guarantees received	125,552	–	–	22,036	147,588
Notional amount of derivative instruments	3,662,314	–	–	–	3,662,314

Group

In RON thousand

	Ultimate controlling entity	Associates	Key personnel	Other interest	Total
					2022
Trading assets	36,908	–	–	–	36,908
Derivative assets held for risk management	13,781	–	–	–	13,781
Loans and advances to banks at amortized cost	18,692	–	–	180	18,872
Investment in subsidiaries, associates and joint ventures	–	32,891	–	–	32,891
Equity instruments at fair value through other comprehensive income	–	–	–	71,488	71,488
Loans and advances to customers at amortized cost	–	20,117	5,609	237,821	263,547
Derivatives asset – hedge accounting	8,355	–	–	–	8,355
Property, equipment and right-of-use assets	–	–	–	87,285	87,285
Other assets	2,544	269	7	14,367	17,187
Outstanding assets	**80,280**	**53,277**	**5,616**	**411,141**	**550,314**
Derivative liabilities held for risk management	2,888	–	–	–	2,888
Derivatives – hedge accounting	–	–	–	–	–
Fair value changes of the hedged items – liability	11,398	–	–	–	11,398
Trading liabilities	14,074	–	–	–	14,074
Deposits from banks	87,447	–	–	3,896	91,343
Deposits from customers	–	94,962	23,365	131,555	249,882
Subordinated loans	323,678	–	–	–	323,678
Other equity instruments	609,440	–	–	–	609,440
Other liabilities	13,611	6	28	97,418	111,063
Outstanding liabilities	**1,062,536**	**94,968**	**23,393**	**232,869**	**1,413,766**
Commitments given	–	4,787	–	135,998	140,785
Guarantees issued	85,984	–	–	43,670	129,654
Commitments received	247,370	–	–	–	247,370
Guarantees received	89,458	–	–	53,147	142,605
Notional amount of derivative instruments	2,322,811	–	–	–	2,322,811

Bank

In RON thousand

	Ultimate controlling entity	Subsidiaries	Associates	Key personnel	Other interest	Total 2023
Trading assets	605	–	–	–	–	605
Derivative assets held for risk management	16,975	–	–	–	–	16,975
Loans and advances to banks at amortized cost	79,507	11,861	–	–	957	92,325
Investment in subsidiaries, associates and joint ventures	–	98,575	11,900	–	–	110,475
Equity instruments at fair value through other comprehensive income	–	–	–	–	90,579	90,579
Derivatives – hedge accounting	37,793	–	–	–	–	37,793
Loans and advances to customers at amortized cost	–	745,703	22,978	5,916	33,112	807,709
Property, equipment and right-of-use assets	732	–	–	–	82,150	82,882
Other assets	7,877	3,615	–	28	21,085	32,605
Outstanding assets	**143,489**	**859,754**	**34,878**	**5,944**	**227,883**	**1,271,948**
Derivative liabilities held for risk management	675	–	–	–	–	675
Fair value changes of the hedged items – liability	4,940	–	–	–	–	4,940
Derivatives – hedge accounting	709	–	–	–	–	709
Trading liabilities	3,471	–	–	–	–	3,471
Deposits from banks	51,932	189	–	–	2,941	55,062
Deposits from customers	–	104,157	7,409	29,014	162,874	303,454
Loans from banks and other financial institutions	150,851	–	–	–	–	150,851
Subordinated loans	326,015	–	–	–	–	326,015
Other equity instruments	609,298	–	–	–	–	609,298
Other liabilities	62,628	977	5,028	7	119,003	187,643
Outstanding liabilities	**1,210,519**	**105,323**	**12,437**	**29,021**	**284,818**	**1,642,118**
Commitments given	–	19,949	20,000	–	44,771	84,720
Guarantees issued	118,508	160	–	–	16,638	135,306
Commitments received	248,730	–	–	–	–	248,730
Guarantees received	125,552	–	–	–	22,036	147,588
Notional amount of derivative ins truments	3,662,314	–	–	–	–	3,662,314

Bank

In RON thousand **2022**

	Ultimate controlling entity	Subsidiaries	Associates	Key personnel	Other interest	Total
Trading assets	36,908	–	–	–	–	36,908
Derivative assets held for risk management	13,781	–	–	–	–	13,781
Loans and advances to banks at amortized cost	18,692	11,905	–	–	180	30,777
Investment in subsidiaries, associates and joint ventures	–	91,884	14,987	–	–	106,871
Equity instruments at fair value through other comprehensive income	–	–	–	–	71,488	71,488
Loans and advances to customers at amortized cost	–	648,786	20,117	3,155	237,821	909,879
Derivatives asset – hedge accounting	8,355	–	–	–	–	8,355
Property, equipment and right-of-use assets	–	–	–	–	87,285	87,285
Other assets	2,544	5,456	269	7	14,367	22,643
Outstanding assets	**80,280**	**758,031**	**35,373**	**3,162**	**411,141**	**1,287,987**
Derivative liabilities held for risk management	2,888	–	–	–	–	2,888
Derivatives – hedge accounting	–	–	–	–	–	–
Fair value changes of the hedged items – liability	11,398	–	–	–	–	11,398
Trading liabilities	14,074	–	–	–	–	14,074
Deposits from banks	87,447	195	–	–	3,896	91,538
Deposits from customers	–	64,285	94,962	12,753	131,555	303,555
Subordinated loans	323,678	–	–	–	–	323,678
Other equity instruments	609,440	–	–	–	–	609,440
Other liabilities	13,611	1,136	6	28	97,418	112,199
Outstanding liabilities	**1,062,536**	**65,616**	**94,968**	**12,781**	**232,869**	**1,468,770**
Commitments given	–	161,001	4,787	–	135,998	301,786
Guarantees issued	85,984	–	–	–	43,670	129,654
Commitments received	247,370	–	–	–	–	247,370
Guarantees received	89,458	–	–	–	53,147	142,605
Notional amount of derivative ins truments	2,322,811	–	–	–	–	2,322,811

Group

In RON thousand

					2023
	Ultimate controlling entity	Associates	Key personnel	Other interest	Total
Interest income	22,485	1,993	425	9,508	34,411
Interest expense	(32,589)	–	709	–	(31,880)
Fees and commissions income	6,074	6	6	91	6,177
Fees and commissions expenses	(4,163)	–	–	(41,247)	(45,410)
Net trading income	(11,585)	–	–	–	(11,585)
Operating expenses	(44,219)	(59,811)	–	(93,918)	(197,948)
Personnel expenses	–	–	(39,380)	–	(39,380)
Other operating income	2,258	–	–	1,271	3,529
Gains or (-) losses from hedge accounting, net	1,877	–	–	–	1,877
Impairment (losses)/reversals	–	–	33	–	33
Share of gain from associates and joint ventures	–	1,166	–	–	1,166

Group

In RON thousand

					2022
	Ultimate controlling entity	Associates	Key personnel	Other interest	Total
Interest income	562	1,525	222	9,961	12,270
Interest expense	(16,152)	–	–	(2,963)	(19,115)
Fees and commissions income	5,883	7	5	2,493	8,388
Fees and commissions expenses	(1,951)	–	–	(31,987)	(33,938)
Net trading income	17,978	–	–	–	17,978
Operating expenses	(50,310)	(54,177)	(142)	(81,766)	(186,395)
Personnel expenses	–	–	(36,762)	–	(36,762)
Other operating income	851	(206)	–	2,156	2,801
Gains or (-) losses from hedge accounting, net	16,325	–	–	–	16,325

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 **2023**

	Ultimate controlling entity	Subsidiaries	Associates	Key personnel	Other interest	Total
Interest income	22,485	29,099	1,993	425	9,508	63,510
Interest expense	(30,046)	(55)	–	709	–	(29,392)
Fees and commissions income	6,074	5,829	6	6	91	12,006
Fees and commissions expenses	(4,161)	–	–	–	(41,247)	(45,408)
Net trading income	(11,585)	–	–	–	–	(11,585)
Operating expenses	(44,219)	(21)	(59,811)	–	(93,918)	(197,969)
Personnel expenses	–	–	–	(39,380)	–	(39,380)
Dividend income	–	17,478	12,116	–	988	30,582
Other operating income	2,258	4,796	–	–	1,271	8,325
Gains or (-) losses from hedge accounting, net	1,877	–	–	–	–	1,877
Impairment (losses)/reversals	–	6,691	–	33	–	6,724
Share of gain from associates and joint ventures	–	–	1,166	–	–	1,166

Bank

In RON thousand **2022**

	Ultimate controlling entity	Subsidiaries	Associates	Key personnel	Other interest	Total
Interest income	562	9,742	1,525	218	9,961	22,008
Interest expense	(16,152)	(375)	–	–	(2,963)	(19,490)
Fees and commissions income	5,883	5,824	7	5	2,493	14,212
Fees and commissions expenses	(1,951)	–	–	–	(31,987)	(33,938)
Net trading income	17,978	–	–	–	–	17,978
Operating expenses	(50,310)	–	(54,177)	(142)	(81,766)	(186,395)
Personnel expenses	–	–	–	(36,762)	–	(36,762)
Dividend income	–	26,762	–	–	694	27,456
Other operating income	851	3,940	(206)	–	2,156	6,741
Gains or (-) losses from hedge accounting, net	16,325	–	–	–	–	16,325

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	**2023**	**2022**	**2023**	**2022**
Loans and advances to customers	5,916	5,609	5,916	3,155
Interest income and fees and commission income	431	227	431	223
Impairment for loans and advances to customer	78	73	78	73
Deposits	29,014	23,365	29,014	12,753
Interest expense	(709)	–	(709)	–

The following table shows total remuneration of the members of the Key management personnel according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards, respectively IAS 19.

Key management personnel compensation

	GROUP		BANK	
In RON thousand	**2023**	**2022**	**2023**	**2022**
Short-term employee benefits	35,637	33,065	35,637	33,065
Other long term benefits	3,743	3,697	3,743	3,697
Total compensation	**39,380**	**36,762**	**39,380**	**36,762**

Short-term employee benefits shown in the above table contain salaries and benefits in kind and other benefits and those parts of the bonuses which become due for the short term. Furthermore, changes possibly arising from the difference between the bonus provision and the later awarded bonus are also contained.

Other long-term benefits contain bonus payments, deferred on a period above one year, payable in cash.

41. Commitments and contingencies

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 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Loan commitments	16,137,505	13,395,836	16,217,127	13,555,866
Guarantees issued	3,916,107	2,801,008	3,916,107	2,801,030
Letters of credit	701,775	779,433	701,775	779,433
Total	**20,755,387**	**16,976,277**	**20,835,009**	**17,136,329**

The tables below present the split of credit related commitments on stages and credit quality:

Group. Non-retail financial guarantees given

In RON thousand — 31 December 2023

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	442	–	–	–	442
Strong	532,536	3,839	–	–	536,375
Good	3,379,755	87,729	–	–	3,467,484
Satisfactory	619,732	96,189	–	–	715,921
Substandard	–	844	–	–	844
Impaired	–	–	68,320	438	68,758
Unrated	77,743	–	–	–	77,743
Total	**4,610,208**	**188,601**	**68,320**	**438**	**4,867,567**

Group. Non-retail financial guarantees given

In RON thousand — 31 December 2022

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	2,178	285	–	–	2,463
Strong	1,018,707	42,105	–	–	1,060,812
Good	2,645,605	109,062	–	–	2,754,667
Satisfactory	506,735	111,168	–	–	617,903
Substandard	–	16,358	–	–	16,358
Impaired	–	–	95,621	138	95,759
Unrated	48,403	3,152	–	–	51,555
Total	**4,221,628**	**282,130**	**95,621**	**138**	**4,599,517**

Group. Non-retail loan guarantees given

In RON thousand — 31 December 2023

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	8,947	2,247	–	–	11,194
Strong	2,394,666	463,270	–	–	2,857,936
Good	6,675,362	163,107	–	–	6,838,469
Satisfactory	1,927,848	171,805	–	–	2,099,653
Substandard	6	304	–	–	310
Impaired	–	–	13,324	108	13,432
Unrated	4,556	422	–	–	4,978
Total	**11,011,385**	**801,155**	**13,324**	**108**	**11,825,972**

Group. Non-retail loan commitments given

In RON thousand — 31 December 2022

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	79,178	6,310	–	–	85,488
Strong	3,874,295	176,270	–	–	4,050,565
Good	5,968,819	240,494	–	–	6,209,313
Satisfactory	1,819,428	117,312	–	–	1,936,740
Substandard	–	6,304	–	–	6,304
Impaired	–	–	27,742	22	27,764
Unrated	13,974	474	–	–	14,448
Total	**11,755,694**	**547,164**	**27,742**	**22**	**12,330,622**

Bank. Non-retail financial guarantees given

In RON thousand

31 December 2023

	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	442	–	–	–	442
Strong	532,536	3,839	–	–	536,375
Good	3,379,755	87,729	–	–	3,467,484
Satisfactory	619,732	96,189	–	–	715,921
Substandard	–	844	–	–	844
Impaired	–	–	68,320	438	68,758
Unrated	77,743	–	–	–	77,743
Total	**4,610,208**	**188,601**	**68,320**	**438**	**4,867,567**

Bank. Non-retail financial guarantees given

In RON thousand

31 December 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	2,178	285	–	–	2,463
Strong	1,018,707	42,105	–	–	1,060,812
Good	2,645,605	109,062	–	–	2,754,667
Satisfactory	506,735	111,168	–	–	617,903
Substandard	–	16,358	–	–	16,358
Impaired	–	–	95,621	138	95,759
Unrated	48,403	3,152	–	–	51,555
Total	**4,221,628**	**282,130**	**95,621**	**138**	**4,599,517**

Bank. Non-retail loan guarantees given

In RON thousand

31 December 2023

	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	8,947	2,247	–	–	11,194
Strong	2,392,361	463,270	–	–	2,855,631
Good	6,655,562	172,663	–	–	6,828,225
Satisfactory	1,866,034	171,618	–	–	2,037,652
Substandard	6	304	–	–	310
Impaired	–	–	13,594	108	13,702
Unrated	4,556	102	–	–	4,658
Total	**10,927,466**	**810,204**	**13,594**	**108**	**11,751,372**

Bank. Non-retail loan commitments given

In RON thousand

31 December 2022

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	79,178	6,310	–	–	85,488
Strong	3,872,679	175,757	–	–	4,048,436
Good	6,101,915	239,684	–	–	6,341,599
Satisfactory	1,792,707	116,021	–	–	1,908,728
Substandard	–	6,304	–	–	6,304
Impaired	–	–	28,012	22	28,034
Unrated	14,074	30	–	–	14,104
Total	**11,860,553**	**544,106**	**28,012**	**22**	**12,432,693**

Group. Retail financial guarantees given

In RON thousand

				31 December 2023
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Minimal Risk	–	–	–	–
Excellent Credit Standing	8,512	953	–	9,465
Very Good Credit Standing	3,615	–	–	3,615
Good Credit Standing	–	–	–	–
Sound Credit Standing	5,656	105	–	5,761
Acceptable Credit Standing	234	932	–	1,166
Marginal Credit Standing	199	451	–	650
Weak Credit Standing	–	–	–	–
Very Weak Credit Standing	–	315	–	315
Default	–	–	–	–
Not Rated	–	116	–	116
Total	**18,216**	**2,872**	**–**	**21,088**

Group. Retail financial guarantees given

In RON thousand

				31 December 2022
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Minimal Risk	–	10,349	–	10,349
Excellent Credit Standing	–	360	–	360
Very Good Credit Standing	–	133	–	133
Good Credit Standing	–	–	–	–
Sound Credit Standing	–	–	–	–
Acceptable Credit Standing	–	–	–	–
Marginal Credit Standing	–	–	–	–
Weak Credit Standing	–	–	–	–
Very Weak Credit Standing	–	–	–	–
Default	–	–	–	–
Not Rated	309	7,214	–	7,523
Total	**309**	**18,056**	**–**	**18,365**

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

Group. Retail loan commitments given

In RON thousand

31 December 2023

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Minimal Risk	340,059	280,080	–	–	620,139
Excellent Credit Standing	670,147	427,968	–	–	1,098,115
Very Good Credit Standing	1,164,075	317,039	–	–	1,481,114
Good Credit Standing	166,843	66,550	–	–	233,393
Sound Credit Standing	227,488	59,846	–	–	287,334
Acceptable Credit Standing	23,378	20,739	–	–	44,117
Marginal Credit Standing	8,249	9,736	–	–	17,985
Weak Credit Standing	2,556	15,447	–	–	18,003
Very Weak Credit Standing	723	861	–	–	1,584
Default	–	–	12,454	3,720	16,174
Not Rated	61,707	19,814	4	–	81,525
Total	**2,665,225**	**1,218,080**	**12,458**	**3,720**	**3,899,483**

Group. Retail loan commitments given

In RON thousand

31 December 2022

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
Minimal Risk	1,211,756	231,506	–	–	1,443,262
Excellent Credit Standing	22,837	281,492	–	–	304,329
Very Good Credit Standing	664,401	437,319	–	–	1,101,720
Good Credit Standing	259,547	203,288	–	–	462,835
Sound Credit Standing	107,746	83,182	–	–	190,928
Acceptable Credit Standing	66,924	32,537	–	–	99,461
Marginal Credit Standing	28,683	12,769	–	–	41,452
Weak Credit Standing	4,844	7,974	–	–	12,818
Very Weak Credit Standing	1,088	4,453	–	–	5,541
Default	–	–	12,384	3,752	16,136
Not Rated	28,279	100,007	115	–	128,401
Total	**2,396,105**	**1,394,527**	**12,499**	**3,752**	**3,806,883**

Bank. Retail Financial guarantees given

In RON thousand

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
				31 December 2023
Minimal Risk	–	–	–	–
Excellent Credit Standing	8,512	953	–	9,465
Very Good Credit Standing	3,615	–	–	3,615
Good Credit Standing	–	–	–	–
Sound Credit Standing	5,656	105	–	5,761
Acceptable Credit Standing	234	932	–	1,166
Marginal Credit Standing	199	451	–	650
Weak Credit Standing	–	–	–	–
Very Weak Credit Standing	–	315	–	315
Default	–	–	–	–
Not Rated	–	116	–	116
Total	**18,216**	**2,872**	**–**	**21,088**

Bank. Retail Financial guarantees given

In RON thousand

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
				31 December 2022
Minimal Risk	–	10,349	–	10,349
Excellent Credit Standing	–	360	–	360
Very Good Credit Standing	–	133	–	133
Good Credit Standing	–	–	–	–
Sound Credit Standing	–	–	–	–
Acceptable Credit Standing	–	–	–	–
Marginal Credit Standing	–	–	–	–
Weak Credit Standing	–	–	–	–
Very Weak Credit Standing	–	–	–	–
Default	–	–	–	–
Not Rated	309	7,214	–	7,523
Total	**309**	**18,056**	**–**	**18,365**

In "Not Rated" category are also included retail exposures of segments for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, general IFRS 9 impairment rules apply.

Bank. Retail Loan commitments given

In RON thousand

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
					31 December 2023
Minimal Risk	340,059	280,080	–	–	620,139
Excellent Credit Standing	670,147	427,968	–	–	1,098,115
Very Good Credit Standing	1,164,075	317,039	–	–	1,481,114
Good Credit Standing	166,843	66,550	–	–	233,393
Sound Credit Standing	227,488	59,846	–	–	287,334
Acceptable Credit Standing	23,378	20,739	–	–	44,117
Marginal Credit Standing	8,249	9,736	–	–	17,985
Weak Credit Standing	2,556	15,447	–	–	18,003
Very Weak Credit Standing	723	861	–	–	1,584
Default	–	–	12,184	3,720	15,904
Not Rated	48,872	19,663	4	–	68,539
Total	**2,652,390**	**1,217,929**	**12,188**	**3,720**	**3,886,227**

Bank. Retail Loan commitments given

In RON thousand

Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	Total
					31 December 2022
Minimal Risk	1,211,756	231,506	–	–	1,443,262
Excellent Credit Standing	22,837	281,492	–	–	304,329
Very Good Credit Standing	664,401	437,319	–	–	1,101,720
Good Credit Standing	259,547	203,288	–	–	462,835
Sound Credit Standing	107,746	83,182	–	–	190,928
Acceptable Credit Standing	66,924	32,537	–	–	99,461
Marginal Credit Standing	28,683	12,769	–	–	41,452
Weak Credit Standing	4,844	7,974	–	–	12,818
Very Weak Credit Standing	1,088	4,453	–	–	5,541
Default	–	–	12,114	3,752	15,866
Not Rated	6,392	99,715	115	–	106,222
Total	**2,374,218**	**1,394,235**	**12,229**	**3,752**	**3,784,434**

In “Not Rated” category are also included retail exposures of segments for which the standard approach method is applied in the calculation of risk weighted assets. For the standard approach portfolios, no models are available and so the internal rating is not applicable. For these exposures, general IFRS 9 impairment rules apply.

42. Capital

The capital management of the Group is defined through the capital strategy approved by the Management Board and is reviewed at least once every year.

The primary objective of the Group's capital management is to ensure an adequate level of capital which meets not only the regulatory requirements, but also the limits set in the capital strategy.

The Management Board of the Group actively manages the capital structure and seeks to maintain at all times a higher level of capital than the regulatory one in order to ensure a comfortable position in achieving the Group's business objectives.

No major changes have been made to the objectives and policies regarding capital management compared to the previous year.

Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No.648/2012 requires that the Group maintain a minimum Common Equity Tier 1 capital ratio of 4.5%, a minimum Tier 1 capital ratio of 6% and a minimum total capital ratio of 8%.

According to supervisory review, the Group was requested through an official notification to hold additional capital to cover risks which are not covered or not adequately taken into account under pillar I. The Group is also subject to Conservation and other systemically important institutions buffer. The Group is compliant with all of the above requirements.

	GROUP			BANK		
In RON thousand	**Before Profit Incorporation 2023**	**Before Profit Incorporation 2022**	**After Profit Incorporation 2022**	**Before Profit Incorporation 2023**	**Before Profit Incorporation 2022**	**After Profit Incorporation 2022**
Tier 1 Capital, of which:	6,233,199	5,635,489	5,757,677	6,057,276	5,482,299	5,582,951
Common Equity Tier 1 (CET 1) Capital	5,623,901	5,026,073	5,148,261	5,447,978	4,872,883	4,973,535
Additional Tier 1 Capital	609,298	609,416	609,416	609,298	609,416	609,416
Tier 2 Capital	854,012	863,163	863,163	843,385	853,797	853,797
Total capital	**7,087,211**	**6,498,652**	**6,620,840**	**6,900,661**	**6,336,096**	**6,436,748**
Risk weighted assets	**33,600,206**	**31,040,203**	**31,040,203**	**32,263,820**	**29,936,081**	**29,936,110**
Common Equity Tier 1 Capital ratio	16,74%	16,19%	16,59%	16,89%	16,28%	16,61%
Tier 1 Capital ratio	18,55%	18,16%	18,55%	18,77%	18,31%	18,65%
Total Capital ratio	21,09%	20,94%	21,33%	21,39%	21,17%	21,50%

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 31, 2023, the Group has Additional Tier 1 Notes in amount of RON 609,298 thousand (RON 609,440 thousand as of December 31, 2022) that were purchased by Raiffeisen Bank International AG. The instruments are classified as equity instruments in accordance to IAS 32 "Financial Instruments: Presentation" and meet the criteria for inclusion in Group Tier 1 capital (see *Note 38 Other equity instruments*).

In December 2019, the Bank issued unsecured, subordinated RON-denominated bonds in nominal amount of RON 480,000 thousand that qualify as Tier 2 instruments as defined by Regulation (EU) No. 575/2013 (see *Note 34 Total long term debt*).

43. Segments consolidation

Key decisions are made by chief operating decision makers determining the resources allocated to each segment based on its financial strength and profitability.

The Group follows financial performance and steers the business by segments and products, namely customer business consists of Corporate, Retail, Financial Institutions and Own employees. Corporate comprises legal entities with an annual turnover exceeding EUR 5 million. Retail contains individual clients and legal entities with an annual turnover below the EUR 5 million threshold (small and medium entities), while Financial Institutions (part of Treasury Division) deals with brokers, banks, insurance companies, leasing firms, investment and pension funds, as well as asset management companies.

The Group offers a wide array of banking services to its customers, adapted to the ever changing needs of our clients, but with maintained focus on the basics of banking.

Customer business lines bring in more than 85% of the Group's operating income, with following specifics worth mentioning: corporate clients chiefly draw their revenue streams from lending business, followed by fees from cash management, account services, foreign currency deals and investment banking activity.

Small clients also share these characteristics, while their unique business traits are visible through more intense payment and account activity, thus generating visibly greater proportion of the revenues as fees.

Private individual customers provide a highly diversified revenue source for the Group, mainly from unsecured loans, credit card and overdraft facilities, but also from mortgage loans, saving products and transactional business, FX deals and asset management services, as well as from the activity of intermediating transactions on the stock exchange; the Group continues to focus its attention on promoting alternative channels usage and thus provide improved services with advantages for both sides.

Proprietary business consists of Treasury Division (less Financial Institutions) and "Others" segment (less Own employees). The first mainly provides income streams from treasury activities, namely trading revenues, net income from financial assets held at fair value through profit or loss, as well as from interest contribution. The latter shows revenues mainly obtained as a result of transfers among segments, capital benefit, income generated by participations.

Regarding the segmentation by geographical area, the Group is performing its activity mainly under geographical area of Romania.

Group

In RON thousand **2023**

	Corporate Customers	Private Individuals	SME	Treasury Division	Others	Total unit
Total Assets before impairment allowance on loans and advances to customers at amortized cost	18,687,957	18,435,527	4,195,327	26,883,251	3,803,193	72,005,255
Impairment allowance on loans and advances to customers at amortized cost	(345,816)	(730,063)	(144,503)	(877)	(6,149)	(1,227,408)
Total Assets	**18,342,141**	**17,705,464**	**4,050,824**	**26,882,374**	**3,797,044**	**70,777,847**
Total Liabilities	**10,759,117**	**33,145,182**	**8,780,955**	**4,097,609**	**6,366,807**	**63,149,670**
Equity	**–**	**–**	**–**	**–**	**7,628,177**	**7,628,177**
Net interest income	570,617	1,100,964	350,488	450,699	348,161	2,820,929
Net fee and commission income	108,267	261,463	170,373	58,060	4,087	602,250
Net trading income	68,739	185,819	85,648	36,522	822	377,550
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	171	9,565	835	1,295	1,108	12,974
Gains or (-) losses from hedge accounting, net	–	–	–	1,877	–	1,877
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	–	576	576
Other operating income*	(34,781)	(35,292)	(4,863)	79,007	60,469	64,540
Operating income	**713,013**	**1,522,519**	**602,481**	**627,460**	**415,223**	**3,880,696**
Operating expenses	(127,382)	(505,585)	(192,540)	(27,193)	(127,881)	(980,581)
Personnel expenses	(103,044)	(482,142)	(214,621)	(26,592)	(20,474)	(846,873)
Impairment (losses)/reversals	9,641	(115)	15,169	(3,559)	8,783	29,919
Share of gain from associates and joint ventures	–	–	–	–	1,166	1,166
Profit before income tax	**492,228**	**534,677**	**210,489**	**570,116**	**276,817**	**2,084,327**
Income tax expense	–	–	–	–	(383,560)	(383,560)
Net profit for the year	**492,228**	**534,677**	**210,489**	**570,116**	**(106,743)**	**1,700,767**

*) Other operating income for the segments mainly contain the re-distribution of the cost of capital from Treasury to the other segments, relative to the regulatory assets held by Treasury, like Stress buffer and Minimum reserve.

Group

In RON thousand **2022**

	Corporate Customers	Private Individuals	SME	Treasury Division	Others	Total unit
Total Assets before impairment allowance on loans and advances to customers at amortized cost	17,247,981	18,820,720	3,955,546	20,009,933	3,892,118	63,926,298
Impairment allowance on loans and advances to customers at amortized cost	(366,061)	(794,316)	(167,940)	(568)	(7,657)	(1,336,542)
Total Assets	**16,881,920**	**18,026,404**	**3,787,606**	**20,009,365**	**3,884,461**	**62,589,756**
Total Liabilities	**9,891,671**	**30,045,260**	**7,758,271**	**4,048,931**	**4,391,651**	**56,135,784**
Equity	**–**	**–**	**–**	**–**	**6,453,972**	**6,453,972**
Net interest income	505,524	1,076,225	342,502	227,858	248,244	2,400,353
Net fee and commission income	106,251	253,224	173,063	27,423	(885)	559,076
Net trading income	64,216	140,825	80,586	43,140	430	329,197
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(1,167)	(30,770)	(4,350)	(482)	(1,566)	(38,335)
Gains or (-) losses from hedge accounting, net	–	–	–	1,919	–	1,919
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	–	(1,657)	(1,657)
Other operating income*	(26,595)	(25,427)	(5,042)	58,823	48,938	50,697
Operating income	**648,229**	**1,414,077**	**586,759**	**358,681**	**293,504**	**3,301,250**
Operating expenses	(115,399)	(465,660)	(197,298)	(24,115)	(93,451)	(895,923)
Personnel expenses	(101,242)	(443,039)	(182,366)	(24,928)	(20,282)	(771,857)
Impairment (losses)/reversals	(37,358)	(100,253)	9,211	(3,177)	(15,804)	(147,381)
Share of gain from associates and joint ventures	–	–	–	–	648	648
Profit before income tax	**394,230**	**405,125**	**216,306**	**306,461**	**164,615**	**1,486,737**
Income tax expense	–	–	–	–	(230,507)	(230,507)
Net profit for the year	**394,230**	**405,125**	**216,306**	**306,461**	**(65,892)**	**1,256,230**

*) Other operating income for the segments mainly contain the re-distribution of the cost of capital from Treasury to the other segments, relative to the regulatory assets held by Treasury, like Stress buffer and Minimum reserve.

Bank

In RON thousand

2023	Corporate Customers	Private Individuals	SME	Treasury Division	Others	Total unit
Total Assets before impairment allowance on loans and advances to customers at amortized cost	18,943,219	18,427,913	3,532,343	26,738,754	3,705,866	71,348,095
Impairment allowance on loans and advances to customers at amortized cost	(330,210)	(730,015)	(122,905)	(877)	(6,430)	(1,190,437)
Total Assets	**18,613,009**	**17,697,898**	**3,409,438**	**26,737,877**	**3,699,436**	**70,157,658**
Total Liabilities	**10,746,198**	**33,133,222**	**8,776,466**	**2,861,824**	**7,171,179**	**62,688,889**
Equity	**–**	**–**	**–**	**–**	**7,468,769**	**7,468,769**
Net interest income	559,028	1,100,676	333,327	446,098	339,183	2,778,312
Net fee and commission income	104,686	239,662	160,879	58,235	4,311	567,773
Net trading income	68,739	185,819	85,648	37,657	827	378,690
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	171	9,565	835	–	1,108	11,679
Gains or (-) losses from hedge accounting, net	–	–	–	1,877	–	1,877
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	–	–	–
Other operating income*	(35,301)	(34,700)	(8,499)	79,007	91,129	91,636
Operating income	**697,323**	**1,501,022**	**572,190**	**622,874**	**436,558**	**3,829,967**
Operating expenses	(123,669)	(498,773)	(185,514)	(26,960)	(119,698)	(954,614)
Personnel expenses	(96,093)	(473,828)	(201,498)	(26,427)	(15,594)	(813,440)
Impairment (losses)/reversals	10,518	(261)	19,567	(3,559)	8,680	34,945
Profit before income tax	**488,079**	**528,160**	**204,745**	**565,928**	**309,946**	**2,096,858**
Income tax expense	–	–	–	–	(377,368)	(377,368)
Net profit for the year	**488,079**	**528,160**	**204,745**	**565,928**	**(67,422)**	**1,719,490**

*) Other operating income for the segments mainly contain the re-distribution of the cost of capital from Treasury to the other segments, relative to the regulatory assets held by Treasury, like Stress buffer and Minimum reserve.

Bank

In RON thousand

2022	Corporate Customers	Private Individuals	SME	Treasury Division	Others	Total unit
Total Assets before impairment allowance on loans and advances to customers at amortized cost	17,488,796	18,813,503	3,327,614	19,871,136	3,808,954	63,310,003
Impairment allowance on loans and advances to customers at amortized cost	(350,764)	(794,199)	(143,777)	(568)	(7,946)	(1,297,254)
Total Assets	**17,138,032**	**18,019,304**	**3,183,837**	**19,870,568**	**3,801,008**	**62,012,749**
Total Liabilities	**9,881,610**	**30,033,168**	**7,751,369**	**3,010,040**	**5,060,585**	**55,736,772**
Equity	**–**	**–**	**–**	**–**	**6,275,977**	**6,275,977**
Net interest income	494,068	1,073,970	322,620	222,263	242,773	2,355,694
Net fee and commission income	103,339	224,809	164,357	27,588	(201)	519,892
Net trading income	64,216	140,825	80,586	43,990	428	330,045
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(1,167)	(30,770)	(4,350)	–	(1,566)	(37,853)
Gains or (-) losses from hedge accounting, net	–	–	–	1,919	–	1,919
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	–	–	–	–	–	–
Other operating income*	(26,980)	(23,788)	(7,715)	58,823	78,003	78,343
Operating income	**633,476**	**1,385,046**	**555,498**	**354,583**	**319,437**	**3,248,040**
Operating expenses	(111,955)	(459,217)	(190,133)	(23,897)	(91,412)	(876,614)
Personnel expenses	(95,736)	(434,216)	(170,842)	(24,774)	(12,681)	(738,249)
Impairment (losses)/reversals	(38,108)	(100,320)	9,224	(3,177)	(42,539)	(174,920)
Profit before income tax	**387,677**	**391,293**	**203,747**	**302,735**	**172,805**	**1,458,257**
Income tax expense	–	–	–	–	(223,562)	(223,562)
Net profit for the year	**387,677**	**391,293**	**203,747**	**302,735**	**(50,757)**	**1,234,695**

*) Other operating income for the segments mainly contain the re-distribution of the cost of capital from Treasury to the other segments, relative to the regulatory assets held by Treasury, like Stress buffer and Minimum reserve.

Contact

LET'S TALK 1:1

From personalized customer interaction to investing in digitalization to providing fast, secure and easy-to-access banking services, we develop new ways of communication, more efficient and enjoyable, with all our customers.

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