

## **RAIFFEISEN BANK SA**

### **UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

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

**30 JUNE 2021**

## Content

Interim condensed consolidated and separate statement of comprehensive income	1
Interim condensed consolidated and separate statement of financial position	2
Interim condensed consolidated and separate statement of changes in equity	3
Interim condensed consolidated and separate statement of cash flows	4 – 5
Notes to the interim condensed consolidated and separate financial statements	6 – 84

**RAIFFEISEN BANK SA**

 Interim condensed consolidated and separate  
 statement of comprehensive income

**30 June 2021**


<i>In RON thousand</i>	Note	Group		Bank	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		Unaudited	Unaudited	Unaudited	Unaudited
Interest income		949,653	966,256	927,395	939,766
Interest expense		(77,343)	(94,310)	(74,673)	(89,368)
<b>Net interest income</b>	8	<b>872,310</b>	<b>871,946</b>	<b>852,722</b>	<b>850,398</b>
Fees and commissions income		411,648	387,955	386,409	367,399
Fees and commissions expense		(130,347)	(133,991)	(129,345)	(134,108)
<b>Net fee and commission income</b>	9	<b>281,301</b>	<b>253,964</b>	<b>257,064</b>	<b>233,291</b>
Net trading income	10	161,688	163,445	162,205	163,651
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	26	(4,257)	12,928	(4,421)	12,956
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income		2,406	2,695	2,406	2,695
Gains or (-) losses from hedge accounting, net	27	899	110	899	110
Other operating income	11	11,201	11,785	68,763	50,405
<b>Operating income</b>		<b>1,325,548</b>	<b>1,316,873</b>	<b>1,339,638</b>	<b>1,313,506</b>
Operating expenses	12	(411,812)	(476,698)	(402,220)	(467,793)
Personnel expenses	13	(337,363)	(330,240)	(323,178)	(314,974)
Net provisioning for impairment losses on financial assets	14	(67,244)	(196,278)	(115,200)	(193,762)
Share of gain from associates and joint ventures		1,405	902	-	-
<b>Profit before income tax</b>		<b>510,534</b>	<b>314,559</b>	<b>499,040</b>	<b>336,977</b>
Income tax expense	15	(106,072)	(59,521)	(101,881)	(56,693)
<b>Net profit for the year</b>		<b>404,462</b>	<b>255,038</b>	<b>397,159</b>	<b>280,284</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Net gains (losses) on financial assets at fair value through other comprehensive income		(22,101)	11,043	(21,912)	10,654
Related tax for above positions		3,506	(1,767)	3,506	(1,705)
<b>Items that may not be reclassified subsequently to profit or loss</b>					
Fair value changes of the equity instruments at fair value through other comprehensive income		4,329	(1,394)	4,329	(1,394)
Related tax for above positions		(693)	223	(693)	223
<b>Total comprehensive income for the year, net of income tax</b>		<b>389,503</b>	<b>263,143</b>	<b>382,389</b>	<b>288,062</b>

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

The interim condensed consolidated and separate financial statements were approved by the Management Board on 20 September 2021 and were signed on its behalf by:

Steven van Groningen  
President

Mihail Ion  
Vice-president & Chief Financial Officer

**RAIFFEISEN BANK SA**

Interim condensed consolidated and separate  
statement of financial position for the period ended  
**30 June 2021**



<i>In RON thousand</i>	Note	Group		Bank	
		30 June 2021	31 December 2020	30 June 2021	31 December 2020
		Unaudited	Audited	Unaudited	Audited
<b>Assets</b>					
Cash and cash with Central Bank	17	8,541,786	10,854,199	8,541,010	10,853,779
Loans and advances to banks at amortised cost	20	3,906,877	972,059	3,894,592	971,166
Derivative assets held for risk management	19	5,751	729	5,751	729
Trading assets	18	237,425	354,271	237,425	354,271
Financial assets mandatorily at fair value through profit or loss	26	325,751	393,847	310,886	379,146
Investment securities at fair value through other comprehensive income	22	3,600,089	3,212,528	3,502,038	3,150,884
Equity instruments at fair value through other comprehensive income	23	49,318	44,989	49,318	44,989
Investment in subsidiaries, associates and joint ventures	25	30,824	29,419	126,399	107,166
Loans and advances to customers at amortised cost	21	30,365,861	28,773,060	29,904,260	28,220,851
Fair value changes of the hedged items-hedge accounting	27	2,541	10,449	2,541	10,449
Investment securities at amortised cost	24	6,835,295	6,095,709	6,683,542	5,912,605
Income tax receivable	15	96,901	146,211	95,569	145,445
Other assets	28	337,256	269,179	310,866	245,887
Deferred tax assets	29	28,942	26,621	25,023	21,482
Property, equipment and right-of-use assets	30	511,242	565,779	509,454	563,599
Intangible assets	31	318,421	304,156	315,278	300,464
<b>Total assets</b>		<b>55,194,280</b>	<b>52,053,205</b>	<b>54,513,952</b>	<b>51,282,912</b>
<b>Liabilities</b>					
Trading liabilities	18	9,309	23,393	9,309	23,393
Derivative liabilities held for risk management	19	4,978	15,971	4,978	15,971
Deposits from banks	32	530,613	338,463	530,613	338,463
Deposits from customers	33	44,353,365	43,553,033	44,245,075	43,394,928
Loans from banks and other financial institutions	34	348,290	432,178	12,578	17,657
Derivatives – hedge accounting	27	15,270	21,488	15,270	21,488
Current tax liabilities		48,277	992	46,963	-
Other liabilities	35	1,181,133	912,811	1,174,699	901,491
Debt securities issued	34	2,090,018	480,092	2,090,018	480,092
Subordinated liabilities	34	421,248	416,326	421,248	416,326
Provisions	36	365,484	354,829	270,869	296,352
Deferred tax liabilities		56	85	-	-
<b>Total liabilities</b>		<b>49,368,041</b>	<b>46,549,661</b>	<b>48,821,620</b>	<b>45,906,161</b>
<b>Equity</b>					
Share capital	37	1,200,000	1,200,000	1,200,000	1,200,000
Other equity instruments	38	238,599	238,599	238,599	238,599
Retained earnings		4,106,153	3,768,499	3,972,918	3,642,567
Other reserves	39	281,487	296,446	280,815	295,585
<b>Total equity</b>		<b>5,826,239</b>	<b>5,503,544</b>	<b>5,692,332</b>	<b>5,376,751</b>
<b>Total liabilities and equity</b>		<b>55,194,280</b>	<b>52,053,205</b>	<b>54,513,952</b>	<b>51,282,912</b>

The interim consolidated and separate statement of financial position is to be read in conjunction with the notes that are forming part of the interim condensed consolidated and separate financial statements set out on following pages. The interim condensed consolidated and separate financial statements were approved by the Management Board on 20 September 2021 and were signed on its behalf by:

Steven van Groningen  
President

Mihail Ion  
Vice-president & Chief Financial Officer

**RAIFFEISEN BANK SA**

Interim condensed consolidated and separate  
statement of changes in equity for the period ended  
**30 June 2021**


**Group**

<i>In RON thousand</i>	Share capital	Other equity instruments	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2020</b>	<b>1,200,000</b>	<b>238,599</b>	<b>280,102</b>	<b>3,112,004</b>	<b>4,830,705</b>
Net profit for the year	-	-	-	636,609	636,609
Other comprehensive income, net of income tax	-	-	46,236	-	46,236
<b>Total comprehensive income for the period, net of income tax</b>	<b>-</b>	<b>-</b>	<b>46,236</b>	<b>636,609</b>	<b>682,845</b>
Distribution related to AT1 instruments	-	-	-	(8,171)	(8,171)
Other changes	-	-	(29,892)	28,057	(1,835)
<b>Balance at 31 December 2020</b>	<b>1,200,000</b>	<b>238,599</b>	<b>296,446</b>	<b>3,768,499</b>	<b>5,503,544</b>
<b>Balance at 1 January 2021</b>	<b>1,200,000</b>	<b>238,599</b>	<b>296,446</b>	<b>3,768,499</b>	<b>5,503,544</b>
Net profit for the year	-	-	-	404,462	404,462
Other comprehensive income, net of income tax	-	-	(14,959)	-	(14,959)
<b>Total comprehensive income for the period, net of income tax</b>	<b>-</b>	<b>-</b>	<b>(14,959)</b>	<b>404,462</b>	<b>389,503</b>
Distribution related to AT1 instruments	-	-	-	(18,808)	(18,808)
Distribution of dividends	-	-	-	(48,000)	(48,000)
<b>Balance at 30 June 2021*</b>	<b>1,200,000</b>	<b>238,599</b>	<b>281,487</b>	<b>4,106,153</b>	<b>5,826,239</b>

**Bank**

<i>In RON thousand</i>	Share capital	Other equity instruments	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2020</b>	<b>1,200,000</b>	<b>238,599</b>	<b>279,688</b>	<b>2,976,706</b>	<b>4,694,993</b>
Net profit for the year	-	-	-	644,140	644,140
Other comprehensive income, net of income tax	-	-	45,789	-	45,789
<b>Total comprehensive income for the period, net of income tax</b>	<b>-</b>	<b>-</b>	<b>45,789</b>	<b>644,140</b>	<b>689,929</b>
Distribution related to AT1 instruments	-	-	-	(8,171)	(8,171)
Other changes	-	-	(29,892)	29,892	-
<b>Balance at 31 December 2020</b>	<b>1,200,000</b>	<b>238,599</b>	<b>295,585</b>	<b>3,642,567</b>	<b>5,376,751</b>
<b>Balance at 1 January 2021</b>	<b>1,200,000</b>	<b>238,599</b>	<b>295,585</b>	<b>3,642,567</b>	<b>5,376,751</b>
Net profit for the year	-	-	-	397,159	397,159
Other comprehensive income, net of income tax	-	-	(14,770)	-	(14,770)
<b>Total comprehensive income for the period, net of income tax</b>	<b>-</b>	<b>-</b>	<b>(14,770)</b>	<b>397,159</b>	<b>382,389</b>
Distribution related to AT1 instruments	-	-	-	(18,808)	(18,808)
Distribution of dividends	-	-	-	(48,000)	(48,000)
<b>Balance at 30 June 2021*</b>	<b>1,200,000</b>	<b>238,599</b>	<b>280,815</b>	<b>3,972,918</b>	<b>5,692,332</b>

\*Unaudited.

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

<i>In RON thousand</i>	Note	Group		Bank	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		Unaudited	Unaudited	Unaudited	Unaudited
<b>Cash flows from operating activities</b>					
Net profit for the year		404,462	255,038	397,159	280,284
<b>Adjustments for non-cash items:</b>					
Depreciation and amortization	12	111,466	110,553	110,100	108,911
Net impairment loss on financial assets (release from recoveries is not included)	14	85,027	216,692	132,908	213,919
Group share of gain from associates and joint ventures	25	(1,405)	(903)	-	-
Loss on the sale of property, plant and equipment and of intangible assets		(1,786)	55,288	(1,407)	51,138
Net charge of provisions for litigation and other provisions		(3,054)	81,983	(40,137)	82,803
Income tax expense	15,16	106,072	59,521	101,881	56,693
Net gains on non-trading financial assets mandatorily at fair value through profit or loss	26	4,257	(12,928)	4,421	(12,956)
Other fair value adjustments		(16,015)	(19,799)	(16,015)	(19,799)
Net interest income	8	(872,310)	(871,946)	(852,722)	(850,398)
Unrealized foreign exchange losses		2,292	16,018	2,292	16,018
Income from dividends	11	(1,481)	(1,493)	(23,234)	(41,244)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>(182,475)</b>	<b>(111,976)</b>	<b>(184,754)</b>	<b>(114,631)</b>
<b>Change in operating assets:</b>					
(Increase)/Decrease in trading assets and derivatives held for risk management		116,846	179,661	116,846	179,661
(Increase)/Decrease in loans and advances to banks at amortised cost		142,634	(135,233)	142,622	(152,686)
(Increase) in loans and advances to customers at amortised cost		(1,671,720)	(66,575)	(1,764,367)	(137,527)
(Increase)/Decrease in investment securities at fair value through other comprehensive income		(399,834)	(898,573)	(363,238)	(883,323)
(Increase) in investment securities at amortised cost		(707,266)	(450,542)	(738,617)	(514,546)
(Increase)/Decrease in other assets		(74,160)	9,169	(71,062)	7,528
Proceeds from sale of loans and recoveries from write-offs	14	17,783	20,414	17,708	20,156
<b>Change in operating liabilities</b>					
Increase/(Decrease) in trading liabilities		(14,084)	(148)	(14,084)	(148)
Increase/(Decrease) in deposits from banks		192,150	89,714	192,150	89,714
Increase in deposits from customers		803,873	2,469,865	853,688	2,603,757
Increase/(Decrease) in other liabilities		287,808	106,909	293,639	107,413
Taxation paid		(3,244)	(41,056)	-	(35,597)
Interest paid		(78,981)	(84,394)	(76,311)	(79,452)
Interest received		938,381	957,042	916,123	930,552
<b>Cash flows from operating activities</b>		<b>(632,289)</b>	<b>2,044,277</b>	<b>(679,657)</b>	<b>2,020,871</b>
<b>Investing activities</b>					
Proceeds from sale of property, plant and equipment		313	256	313	256
Acquisition of property, plant and equipment	30	(13,286)	(54,300)	(13,184)	(48,949)
Acquisition of intangible assets	31	(43,657)	(81,516)	(43,713)	(80,901)
Increase in subsidiaries	25	-	-	(65,000)	(15,000)
Dividends received		1,481	1,493	23,234	41,244
<b>Cash flows used in investing activities</b>		<b>(55,149)</b>	<b>(134,067)</b>	<b>(98,350)</b>	<b>(103,350)</b>

**RAIFFEISEN BANK SA**

Interim condensed consolidated and separate statement  
of cash flows for the period ended  
**30 June 2021**



<i>In RON thousand</i>	Note	Group		Bank	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		Unaudited	Unaudited	Unaudited	Unaudited
<b>Financing activities</b>					
Proceeds from debt securities issued		1,608,075	-	1,608,075	-
Cash from loans from banks and subordinated liabilities		-	38,280	-	-
Repayments of loans from banks and subordinated liabilities		(83,888)	(18,925)	(5,079)	(18,925)
Dividends paid	37	(48,000)	-	(48,000)	-
Payment of coupon for additional Tier I instruments	38	(18,808)	(8,171)	(18,808)	(8,171)
Repayment of principal portion of lease liability	36	(4,902)	(48,173)	(4,902)	(48,173)
<b>Cash flows from financing activities</b>		<b>1,452,477</b>	<b>(36,989)</b>	<b>1,531,286</b>	<b>(75,269)</b>
Net increase/(decrease) in cash and cash equivalents		765,039	1,873,221	753,279	1,842,252
<b>Cash and cash equivalents at beginning of the period</b>		<b>11,633,750</b>	<b>6,709,686</b>	<b>11,620,390</b>	<b>6,702,555</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>12,398,789</b>	<b>8,582,907</b>	<b>12,373,669</b>	<b>8,544,807</b>

**Analysis of cash and cash equivalents**

<i>In RON thousand</i>	Note	Group		Bank	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		Unaudited	Unaudited	Unaudited	Unaudited
<b>Cash and cash equivalents comprise:</b>					
Cash on hand	17	4,310,486	2,798,745	4,309,710	2,798,362
Cash with Central Bank	17	4,231,300	3,220,908	4,231,300	3,193,908
		<b>8,541,786</b>	<b>6,019,653</b>	<b>8,541,010</b>	<b>5,992,270</b>
Loans and advances to banks – less than 3 months		3,857,003	2,563,254	3,832,659	2,552,537
<b>Cash and cash equivalents in the cash flows statement</b>		<b>12,398,789</b>	<b>8,582,907</b>	<b>12,373,669</b>	<b>8,544,807</b>

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

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## 1. REPORTING ENTITY

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

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

The interim condensed consolidated and separate financial statements of the Bank for the year ended 30 June 2021 comprise the Bank and its subsidiaries (together referred to as the “Group”).

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

The main activity of the Bank is to provide day-to-day banking services to corporate and individual clients. These include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium term facilities, bank guarantees and letters of credit. The Group also provides financial leasing services, loan services in locative system and asset management services. The Group operates through the Head Office located in Bucharest and through its network of 304 branches as at 30.06.2021 (2020: 333 branches).

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

The members of the Supervisory Board as of June 30, 2021 are as follows:

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

*\*Designated Supervisory Board member, to be approved by NBR*

The structure of the Management Board as of June 30, 2021 is as follows:

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



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## **2. BASIS OF PREPARATION**

### **a) Basis of preparation**

The interim financial statements for the six months period ended June 30, 2021 have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated and separate financial statements. The bank prepares consolidated and separate financial statements 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”).

### **b) 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.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **a) Accounting policies**

The accounting policies applied in these interim consolidated and separate financial statements are consistent with those presented in the prior year, except for the amendments to published International Financial Reporting Standards presented in Note 4 below.

### **b) 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. Thus, an investor controls an investee if and only if the investor has all the following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor’s returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Bank holds:

- 99.99% (December 31, 2020: 99.99%) interest in Raiffeisen Leasing IFN S.A.;
- 99.99% (December 31, 2020: 99.99%) interest in Aedificium Banca pentru Locuinte S.A.
- 99.99% (December 31, 2020: 99.99%) investment in Raiffeisen Asset Management S.A., an asset management company with the purpose of administrating fund.

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

**(ii) Joint venture**

The Group does not hold any joint ventures (2020: nil).

**(iii) Associates**

The Bank holds :

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

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

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

**4. Standards, interpretations and amendments to published International Financial Reporting Standards**

***The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:***

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021), The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting:
  - a) *Modification of financial assets, financial liabilities and lease liabilities* - the IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.
  - b) *Hedge accounting requirements* - under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

#### **4. Standards, interpretations and amendments to published International Financial Reporting Standards (continued)**

- c) *Disclosures* - in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about:
  - how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition;
  - quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark;
  - to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.
- d) *The IASB also amended IFRS 4* to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform.
- **Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9"** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023). Amendments change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

***At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective***

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.
- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022). The amendments: (a) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; (b) add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and (c) add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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**4. Standards, interpretations and amendments to published International Financial Reporting Standards (continued)**

- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.). The amendments: (a) clarify that subsidiary which applies paragraph D16(a) of IFRS 1 is permitted to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs (IFRS 1); (b) clarify which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf (IFRS 9); (c) removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example (Illustrative Example 13 accompanying IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique (IAS 41).

## 5. FINANCIAL RISK MANAGEMENT

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

*In RON thousand*

	<b>Group</b>	<b>Group</b>
	<b>30 June 2021</b>	<b>31 December 2020</b>
<b>Retail customers, of which:</b>		
Personal loan	7,467,651	6,796,329
Mortgage	6,660,009	6,510,501
Consumer loans guaranteed with mortgage	1,026,081	1,097,026
Credit Card	1,025,893	1,018,941
Overdraft	480,275	474,347
Investment financing	1,784,049	1,646,019
<b>Non-retail customers, of which:</b>		
Corporate lending	7,593,664	7,087,325
Project finance	1,893,268	2,040,603
Financial institution non-bank	1,188,791	1,070,895
Small business (SMB)	1,795,008	1,670,643
Public sector	632,709	642,420
Sovereign	198,230	49,540
<b>Total gross exposure</b>	<b>31,745,628</b>	<b>30,104,589</b>
Impairment allowance	(1,379,767)	(1,331,529)
<b>Total loans and advances to customers at amortised cost</b>	<b>30,365,861</b>	<b>28,773,060</b>

*In RON thousand*

	<b>Bank</b>	<b>Bank</b>
	<b>30 June 2021</b>	<b>31 December 2020</b>
<b>Retail customers, of which:</b>		
Personal loan	7,467,651	6,796,329
Mortgage	6,616,626	6,462,148
Consumer loans guaranteed with mortgage	1,026,081	1,097,026
Credit Card	1,025,893	1,018,941
Overdraft	480,275	474,347
Investment financing	1,368,881	1,231,490
<b>Non-retail customers, of which:</b>		
Corporate lending	7,977,357	7,361,291
Project finance	1,893,268	2,040,603
Financial institution non-bank	1,188,791	1,060,565
Small business (SMB)	1,364,874	1,270,858
Public sector	632,709	642,420
Sovereign	198,230	49,540
<b>Total gross exposure</b>	<b>31,240,636</b>	<b>29,505,558</b>
Specific impairment allowance	(1,336,376)	(1,284,707)
<b>Total loans and advances to customers at amortised cost</b>	<b>29,904,260</b>	<b>28,220,851</b>

**RAIFFEISEN BANK SA**

Notes to the interim condensed consolidated and separate financial statements for the period ended  
**30 June 2021**

**5. FINANCIAL RISK MANAGEMENT (continued)**

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

<b>Group</b>	<b>30 June 2021</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<i>In RON thousand</i>					
<b>Loans and advances to customers at amortised cost</b>					
<b>Non-retail:</b>	<b>10,377,259</b>	<b>2,568,908</b>	<b>299,396</b>	<b>56,107</b>	<b>13,301,670</b>
Corporate lending	6,333,965	1,035,167	174,288	50,244	7,593,664
Project finance	866,405	958,487	68,376	-	1,893,268
Financial institution non-bank	1,186,097	1,159	1,535	-	1,188,791
Small and medium business	1,187,506	546,442	55,197	5,863	1,795,008
Public sector	605,056	27,653	-	-	632,709
Sovereign	198,230	-	-	-	198,230
<b>Retail</b>	<b>15,451,882</b>	<b>1,984,913</b>	<b>805,041</b>	<b>202,122</b>	<b>18,443,958</b>
Personal Loan	6,569,741	485,025	411,109	1,776	7,467,651
Mortgage	5,820,790	663,881	118,407	56,931	6,660,009
Micro	1,474,507	201,380	106,133	2,029	1,784,049
Consumer loans guaranteed with mortgage	449,174	304,379	139,885	132,643	1,026,081
Credit card	914,669	84,395	18,094	8,735	1,025,893
Overdraft	223,001	245,853	11,413	8	480,275
<b>Total gross exposure</b>	<b>25,829,141</b>	<b>4,553,821</b>	<b>1,104,437</b>	<b>258,229</b>	<b>31,745,628</b>
Impairment allowance	(188,364)	(325,294)	(783,523)	(82,586)	(1,379,767)
<b>Net exposure</b>	<b>25,640,777</b>	<b>4,228,527</b>	<b>320,914</b>	<b>175,643</b>	<b>30,365,861</b>

**RAIFFEISEN BANK SA**

Notes to the interim condensed consolidated and separate financial statements for the period ended  
30 June 2021

**5. FINANCIAL RISK MANAGEMENT (continued)**

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

**RAIFFEISEN BANK SA**

Notes to the interim condensed consolidated and separate financial statements for the period ended

**30 June 2021****5. FINANCIAL RISK MANAGEMENT (continued)****Bank**

<i>In RON thousand</i>	<b>30 June 2021</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>Loans and advances to customers at amortised cost</b>					
<b>Non-retail:</b>	<b>10,465,831</b>	<b>2,451,525</b>	<b>281,766</b>	<b>56,107</b>	<b>13,255,229</b>
Corporate lending	6,739,977	1,020,084	167,052	50,244	7,977,357
Project finance	866,405	958,487	68,376	-	1,893,268
Financial institution non-bank	1,186,097	1,159	1,535	-	1,188,791
Small and medium business	870,066	444,142	44,803	5,863	1,364,874
Public sector	605,056	27,653	-	-	632,709
Sovereign	198,230	-	-	-	198,230
<b>Retail</b>	<b>15,054,151</b>	<b>1,952,043</b>	<b>777,091</b>	<b>202,122</b>	<b>17,985,407</b>
Personal Loans	6,569,741	485,025	411,109	1,776	7,467,651
Mortgage	5,779,778	663,269	116,648	56,931	6,616,626
Micro	1,117,788	169,122	79,942	2,029	1,368,881
Consumer loan guaranteed with mortgage	449,174	304,379	139,885	132,643	1,026,081
Credit card	914,669	84,395	18,094	8,735	1,025,893
Overdraft	223,001	245,853	11,413	8	480,275
<b>Total gross exposure</b>	<b>25,519,982</b>	<b>4,403,568</b>	<b>1,058,857</b>	<b>258,229</b>	<b>31,240,636</b>
Impairment allowance	(181,233)	(320,617)	(751,940)	(82,586)	(1,336,376)
<b>Net exposure</b>	<b>25,338,749</b>	<b>4,082,951</b>	<b>306,917</b>	<b>175,643</b>	<b>29,904,260</b>



**RAIFFEISEN BANK SA**

Notes to the interim condensed consolidated and separate financial statements for the period ended

**30 June 2021****5. FINANCIAL RISK MANAGEMENT (continued)****Bank**

31 December 2020

*In RON thousand***Loans and advances to customers at amortised cost****Non-retail:**

	Stage 1	Stage 2	Stage 3	POCI	Total
Corporate lending	6,188,518	969,820	152,469	50,484	7,361,291
Project finance	1,057,261	915,149	68,193	-	2,040,603
Financial institution non-bank	1,052,210	6,835	1,520	-	1,060,565
Small and medium business	859,106	358,395	45,975	7,382	1,270,858
Public sector	611,988	30,432	-	-	642,420
Sovereign	48,224	1,316	-	-	49,540

**Retail**

Personal Loans	5,933,516	485,051	375,798	1,964	6,796,329
Mortgage	5,565,097	718,775	118,707	59,569	6,462,148
Micro	1,025,912	136,389	67,428	1,761	1,231,490
Consumer loan guaranteed with mortgage	455,457	347,791	153,870	139,908	1,097,026
Credit card	890,346	104,142	16,885	7,568	1,018,941
Overdraft	188,156	277,306	9,461	(576)	474,347

**Total gross exposure**

Impairment allowance

**Net exposure**

	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Non-retail:</b>	<b>9,817,307</b>	<b>2,281,947</b>	<b>268,157</b>	<b>57,866</b>	<b>12,425,277</b>
<b>Retail</b>	<b>14,058,484</b>	<b>2,069,454</b>	<b>742,149</b>	<b>210,194</b>	<b>17,080,281</b>
<b>Total gross exposure</b>	<b>23,875,791</b>	<b>4,351,401</b>	<b>1,010,306</b>	<b>268,060</b>	<b>29,505,558</b>
Impairment allowance	(181,984)	(294,414)	(722,360)	(85,949)	(1,284,707)
<b>Net exposure</b>	<b>23,693,807</b>	<b>4,056,987</b>	<b>287,946</b>	<b>182,111</b>	<b>28,220,851</b>

**5. FINANCIAL RISK MANAGEMENT (continued)**

The tables below present the split of loans and advances to retail customers by credit quality. The internal rating grade is presented in the annual financial statements of the Group as of December 31, 2020.

<b>Group</b>		<b>30 June 2021</b>				
<i>In RON thousand</i>						
<b>Internal rating grade</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>	
Minimal Risk	2,532,932	64,538	-	2,294	2,599,764	
Excellent Credit Standing	471,048	31,207	-	14	502,269	
Very Good Credit Standing	4,832,922	395,106	-	26,050	5,254,078	
Good Credit Standing	2,743,263	77,549	-	468	2,821,280	
Sound Credit Standing	2,562,441	237,967	-	29,469	2,829,877	
Acceptable Credit Standing	1,261,265	259,390	-	26,869	1,547,524	
Marginal Credit Standing	455,752	477,764	-	42,328	975,844	
Weak Credit Standing	95,632	143,235	-	1,546	240,413	
Very Weak Credit Standing	8,071	180,592	-	9,070	197,733	
Default	-	-	803,282	63,799	867,081	
Not Rated	488,556	117,565	1,759	215	608,095	
<b>Total</b>	<b>15,451,882</b>	<b>1,984,913</b>	<b>805,041</b>	<b>202,122</b>	<b>18,443,958</b>	

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

**5. FINANCIAL RISK MANAGEMENT (continued)**
**Bank**
*In RON thousand*
**30 June 2021**

<b>Internal rating grade</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
Minimal Risk	2,532,932	64,538	-	2,294	2,599,764
Excellent Credit Standing	471,048	31,207	-	14	502,269
Very Good Credit Standing	4,832,922	395,106	-	26,050	5,254,078
Good Credit Standing	2,742,775	77,392	-	468	2,820,635
Sound Credit Standing	2,562,441	237,967	-	29,469	2,829,877
Acceptable Credit Standing	1,261,265	259,390	-	26,869	1,547,524
Marginal Credit Standing	455,752	477,764	-	42,328	975,844
Weak Credit Standing	95,632	143,235	-	1,546	240,413
Very Weak Credit Standing	8,071	180,592	-	9,070	197,733
Default	-	-	777,091	63,799	840,890
Not Rated	91,313	84,852	-	215	176,380
<b>Total</b>	<b>15,054,151</b>	<b>1,952,043</b>	<b>777,091</b>	<b>202,122</b>	<b>17,985,407</b>

**Bank**
*In RON thousand*
**31 December 2020**

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

**5. FINANCIAL RISK MANAGEMENT (continued)**

The tables below present the split of loans and advances to non - retail customers by credit quality. The internal rating grade is presented in the annual financial statements of the Group as of December 31, 2020.

<b>Group</b>		<b>30 June 2021</b>				
<i>In RON thousand</i>						
<b>Internal rating grade</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>	
Excellent	25,371	781	-	-	26,152	
Strong	1,434,199	24,118	106	-	1,458,423	
Good	5,274,930	773,806	-	-	6,048,736	
Satisfactory	3,637,935	1,577,848	-	-	5,215,783	
Substandard	4,023	162,298	-	-	166,321	
Impaired	-	-	297,612	56,107	353,719	
Unrated	801	30,057	1,678	-	32,536	
<b>Total</b>	<b>10,377,259</b>	<b>2,568,908</b>	<b>299,396</b>	<b>56,107</b>	<b>13,301,670</b>	

  

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

  

<b>Bank</b>		<b>30 June 2021</b>				
<i>In RON thousand</i>						
<b>Internal rating grade</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>	
Excellent	19,036	575	-	-	19,611	
Strong	1,386,321	21,786	106	-	1,408,213	
Good	5,086,365	759,555	-	-	5,845,920	
Satisfactory	3,969,713	1,506,350	-	-	5,476,063	
Substandard	3,595	143,613	-	-	147,208	
Impaired	-	-	279,982	56,107	336,089	
Unrated	801	19,646	1,678	-	22,125	
<b>Total</b>	<b>10,465,831</b>	<b>2,451,525</b>	<b>281,766</b>	<b>56,107</b>	<b>13,255,229</b>	

  

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

## **6. USE OF ESTIMATES AND JUDGMENTS**

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

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

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

### **Fair value of financial instruments**

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

### **Valuation of financial instruments**

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

- Level 1: Quoted market price in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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**6. USE OF ESTIMATES AND JUDGMENTS (continued)**

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.

**7. FAIR VALUE**

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

**Group**

<i>In RON thousand</i>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Carrying amount</b>
<b>30 June 2021</b>						
<b>Assets</b>						
<b>Financial instruments measured at fair value</b>						
Trading assets, out of which:	18	230,537	6,888	-	<b>237,425</b>	<b>237,425</b>
<i>Debt securities</i>		230,537	-	-	230,537	230,537
<i>Foreign exchange contracts</i>		-	5,281	-	5,281	5,281
<i>Interest rate swaps</i>		-	1,607	-	1,607	1,607
Derivative assets held for risk management	19	-	5,751	-	<b>5,751</b>	<b>5,751</b>
Financial assets mandatorily at fair value through profit or loss, out of which:		14,865	27,831	283,055	<b>325,751</b>	<b>325,751</b>
<i>Loans and advances to customers</i>	27	-	-	283,055	283,055	283,055
<i>Debt instruments issued by financial institutions</i>		14,865	27,831	-	42,696	42,696
Investment securities at fair value through other comprehensive income, out of which:		3,284,830	315,259	-	<b>3,600,089</b>	<b>3,600,089</b>
<i>Bonds issued by the Government of Romania</i>	23	3,284,830	-	-	3,284,830	3,284,830
<i>Bonds issued by credit institutions</i>		-	-	-	-	-
<i>Bonds issued by public sector</i>		-	315,259	-	315,259	315,259
Equity instruments at fair value through other comprehensive income	24	37,194	-	12,124	<b>49,318</b>	<b>49,318</b>
Fair value changes of the hedged items-hedge accounting	28	-	2,541	-	<b>2,541</b>	<b>2,541</b>
<b>Financial instruments for which fair value is disclosed</b>						
Cash and cash with Central Bank	17	8,541,786	-	-	<b>8,541,786</b>	<b>8,541,786</b>
Loans and advances to banks at amortised cost	20	3,906,877	-	-	<b>3,906,877</b>	<b>3,906,877</b>
Loans and advances to customers at amortised cost	21	-	-	30,646,078	<b>30,646,078</b>	<b>30,365,861</b>
Investment securities at amortised cost	25	7,054,048	4,696	-	<b>7,058,744</b>	<b>6,835,295</b>
Other assets	29	-	-	181,477	<b>181,477</b>	<b>181,477</b>
<b>Liabilities</b>						
<b>Financial instruments measured at fair value</b>						
Trading liabilities	18	-	9,309	-	<b>9,309</b>	<b>9,309</b>
Derivative liabilities held for risk management	19	-	4,978	-	<b>4,978</b>	<b>4,978</b>
Derivatives – hedge accounting	28	-	15,270	-	<b>15,270</b>	<b>15,270</b>
<b>Financial instruments for which fair value is disclosed</b>						
Deposits from banks	33	530,613	-	-	<b>530,613</b>	<b>530,613</b>
Deposits from customers	34	-	-	44,348,842	<b>44,348,842</b>	<b>44,353,365</b>
Loans from banks and other financial institutions	35	-	-	348,584	<b>348,584</b>	<b>348,290</b>
Debt securities issued	35	-	2,091,240	-	<b>2,091,240</b>	<b>2,090,018</b>
Subordinated liabilities	35	-	-	450,605	<b>450,605</b>	<b>421,248</b>
Other liabilities	35	-	-	1,181,133	<b>1,181,133</b>	<b>1,181,133</b>

**7. FINANCIAL ASSETS AND LIABILITIES (continued)**

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

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



**7. FINANCIAL ASSETS AND LIABILITIES (continued)**

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

**Bank**

<i>In RON thousand</i>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Carrying amount</b>
<b>30 June 2021</b>						
<b>Assets</b>						
<b>Financial instruments measured at fair value</b>						
Trading assets, out of which:	18	230,537	6,888	-	<b>237,425</b>	<b>237,425</b>
<i>Debt securities</i>		230,537	-	-	230,537	230,537
<i>Foreign exchange contracts</i>		-	5,281	-	5,281	5,281
<i>Interest rate swaps</i>		-	1,607	-	1,607	1,607
Derivative assets held for risk management	19	-	5,751	-	<b>5,751</b>	<b>5,751</b>
Financial assets mandatorily at fair value through profit or loss, out of which:		-	27,831	283,055	<b>310,886</b>	<b>310,886</b>
<i>Loans and advances to customers</i>	27	-	-	283,055	310,886	310,886
<i>Debt instruments issued by financial institutions</i>		-	27,831	-	-	-
Investment securities at fair value through other comprehensive income, out of which:		3,186,779	315,259	-	<b>3,502,038</b>	<b>3,502,038</b>
<i>Bonds issued by the Government of Romania</i>	23	3,186,779	-	-	3,186,779	3,186,779
<i>Bonds issued by credit institutions</i>		-	-	-	-	-
<i>Bonds issued by other public sector</i>		-	315,259	-	315,259	315,259
Equity instruments at fair value through other comprehensive income	24	37,194	-	12,124	<b>49,318</b>	<b>49,318</b>
Fair value changes of the hedged items-Hedge accounting		-	2,541	-	<b>2,541</b>	<b>2,541</b>
<b>Financial instruments for which fair value is disclosed</b>						
Cash and cash with Central Bank	17	8,541,010	-	-	<b>8,541,010</b>	<b>8,541,010</b>
Loans and advances to banks at amortised cost	20	3,894,592	-	-	<b>3,894,592</b>	<b>3,894,592</b>
Loans and advances to customers at amortised cost	21	-	-	30,184,477	<b>30,184,477</b>	<b>29,904,260</b>
Investment securities at amortised cost	25	6,903,812	-	-	<b>6,903,812</b>	<b>6,683,542</b>
Other assets	29	-	-	163,829	<b>163,829</b>	<b>163,829</b>
<b>Liabilities</b>						
<b>Financial instruments measured at fair value</b>						
Trading liabilities	18	-	9,309	-	<b>9,309</b>	<b>9,309</b>
Derivative liabilities held for risk management	19	-	4,978	-	<b>4,978</b>	<b>4,978</b>
Derivatives – Hedge accounting	20	-	15,270	-	<b>15,270</b>	<b>15,270</b>
<b>Financial instruments for which fair value is disclosed</b>						
Deposits from banks	33	530,613	-	-	<b>530,613</b>	<b>530,613</b>
Deposits from customers	34	-	-	44,240,552	<b>44,240,552</b>	<b>44,245,075</b>
Loans from banks and other financial institutions	35	-	-	12,873	<b>12,873</b>	<b>12,578</b>
Debt securities issued	35	-	2,091,240	-	<b>2,091,240</b>	<b>2,090,018</b>
Subordinated liabilities	35	-	-	450,605	<b>450,605</b>	<b>421,248</b>
Other liabilities		-	-	46,963	<b>46,963</b>	<b>46,963</b>

**7. FINANCIAL ASSETS AND LIABILITIES (continued)**

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

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

**8. NET INTEREST INCOME**

	Group		Bank	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<i>In RON thousand</i>				
<b>Interest income</b>				
<i>Interest and similar income arising from:</i>				
Current accounts and loans and advances to banks	5,014	6,347	5,266	6,317
Loans and advances to customers (i)	782,269	819,152	783,063	819,939
Investments measured at fair value through other comprehensive income	45,541	35,323	44,449	34,243
Investments securities measured at amortised cost	98,208	84,043	94,616	79,215
Negative interest on financial liabilities	1	52	1	52
Finance leasing activity	18,620	21,339	-	-
<b>Total interest income</b>	<b>949,653</b>	<b>966,256</b>	<b>927,395</b>	<b>939,766</b>
<b>Interest expense and similar charges</b>				
<i>Interest expense and similar charges arising from:</i>				
Deposits from banks	(3,841)	(5,914)	(3,841)	(5,914)
Deposits from customers	(33,688)	(50,444)	(32,717)	(48,384)
Debt securities issued	(4,171)	(15,990)	(4,171)	(15,990)
Loans from banks and subordinated liabilities	(23,041)	(11,102)	(21,403)	(8,287)
Interest expense on lease liabilities	(1,448)	(1,811)	(1,402)	(1,744)
Negative interest on financial assets	(11,154)	(9,049)	(11,139)	(9,049)
<b>Total interest expense</b>	<b>(77,343)</b>	<b>(94,310)</b>	<b>(74,673)</b>	<b>(89,368)</b>
<b>Net interest income</b>	<b>872,310</b>	<b>871,946</b>	<b>852,722</b>	<b>850,398</b>

(i) The amount of interest income from impaired loans amounts to RON 12,363 thousand (30 June 2020: RON 14,460 thousand).

**9. NET FEE AND COMMISSION INCOME**

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>
<b>Fee and commission income</b>				
Transactions from payments transfer business	304,636	294,063	304,636	294,063
Loans administration and guarantee issuance	39,004	35,978	38,827	35,399
Asset management fee (i)	22,869	18,565	-	-
Commissions from insurance premium collections(ii)	32,390	24,664	32,390	24,664
Finance leasing activity	5,165	4,501	-	-
Commissions for buying/selling cash	739	1,120	739	1,120
Other (iii)	6,845	9,064	9,817	12,153
<b>Total fee and commission income</b>	<b>411,648</b>	<b>387,955</b>	<b>386,409</b>	<b>367,399</b>
<b>Fees and commissions expense</b>				
Commissions for payment transfers	(121,031)	(125,610)	(121,031)	(125,477)
Loan and guarantees received from banks	(7,767)	(7,798)	(7,767)	(7,798)
For securities business	(2,160)	(583)	(414)	(833)
Others	611	-	(133)	-
<b>Total fee and commission expense</b>	<b>(130,347)</b>	<b>(133,991)</b>	<b>(129,345)</b>	<b>(134,108)</b>
<b>Net fee and commission income</b>	<b>281,301</b>	<b>253,964</b>	<b>257,064</b>	<b>233,291</b>

(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**

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>
Net trading income from:				
Currency based instruments (i), out of which:	158,826	159,763	159,343	159,969
▪ Gain/(loss) from foreign exchange derivative transactions	8,838	16,228	8,838	16,228
▪ Net gain on revaluation of monetary assets and foreign currency transactions	149,988	143,535	150,505	143,741
Interest rate instruments (ii), out of which:	2,862	3,682	2,862	3,682
▪ Net trading result from government securities and corporate debt securities	3,208	9,517	3,208	9,517
▪ Interest rate swaps gain/(loss)	(346)	(5,835)	(346)	(5,835)
<b>Net trading income</b>	<b>161,688</b>	<b>163,445</b>	<b>162,205</b>	<b>163,651</b>

(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**

	Group		Bank	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<i>In RON thousand</i>				
Revenues from additional leasing services	1,330	1,074	-	-
Reversal of litigation provision	-	-	34,813	-
Reversal of other provisions	5,324	10	5,324	9
Dividend income	1,481	1,493	23,234	41,244
Revenues from IT services	1,157	1,207	1,157	1,207
Income from repossessed assets	866	316	866	342
Sundry income (i)	1,043	7,685	3,369	7,603
<b>Total</b>	<b>11,201</b>	<b>11,785</b>	<b>68,763</b>	<b>50,405</b>

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

**12. OPERATING EXPENSES**

	Group		Bank	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<i>In RON thousand</i>				
Rental of office space expenses(i)	30,102	34,002	30,152	33,048
IT repairs and maintenance	63,961	56,746	62,809	54,425
Depreciation and amortization	111,466	110,553	110,100	108,911
Deposit insurance fees (ii)	11,603	13,236	11,603	13,236
Resolution fund fee (iii)	37,001	31,242	36,922	31,242
Security expenses	39,074	40,825	39,074	40,820
Advertising	13,809	18,614	13,340	18,047
Charge of litigation provision (iv)	-	81,514	-	81,514
Legal, advisory and consulting expenses	19,929	24,267	19,136	23,606
Postal and telecommunication expenses	31,981	21,969	31,879	21,748
Office supplies	15,879	13,227	15,797	13,145
Sundry operating expenses	11,960	14,951	7,941	13,041
Charge of other provisions	457	479	-	1,298
Training expenses for staff	2,449	9,121	2,388	9,050
Travelling expenses	696	319	677	268
Transport costs	2,348	2,564	2,154	2,385
Other taxes	19,097	3,069	18,248	2,009
<b>Total</b>	<b>411,812</b>	<b>476,698</b>	<b>402,220</b>	<b>467,793</b>

(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.

**12. OPERATING EXPENSES (continued)**

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

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

(iv) Under the caption "Charge of litigation provision" the Group presents the expense with legal disputes, as further disclosed in *note 36 Provisions*.

**13. PERSONNEL EXPENSE**

*In RON thousand*

	<b>Group</b>		<b>Bank</b>	
	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>
Salary expense (i)	286,933	301,338	273,579	286,867
Social contributions	9,152	9,075	8,878	8,789
Other staff expenses	15,691	18,328	15,172	17,865
Long term employee benefits (ii)	25,587	1,499	25,549	1,453
<b>Total</b>	<b>337,363</b>	<b>330,240</b>	<b>323,178</b>	<b>314,974</b>

- i. Out of the total salary expense, the Group has recorded in 30 June 2021 RON 1,970 thousand, representing contribution for employees to Pillar 3 pension plan (30 June 2020: RON 2,005 thousand).
- ii) The long term benefits for employees also include the provision for benefits granted on retirement as a one-off compensation and deferred performance bonus.

The number of employees at Group level as at 30 June 2021 was 4,789 (31 December 2020: 5,013). The number of employees at Bank level as at 30 June 2021 was 4,625 (31 December 2020: 4,935).

**14. NET PROVISIONING FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS**

Group

30 June 2021

<i>In RON thousand</i>	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Non-retail</b>					
Loans and advances to banks at amortised cost	-	-	-	-	-
Loans and advances to customers at amortised cost	(2,981)	10,889	(434)	(1,300)	6,174
Loan commitments and financial guarantees	(5,285)	(2,772)	(4,278)	-	(12,335)
Investment securities at amortised cost	925	-	-	-	925
Loans written-off	-	-	7,439	-	7,439
Recoveries from loans and advances to customers	-	-	(4,953)	-	(4,953)
<b>Total non-retail</b>	<b>(7,341)</b>	<b>8,117</b>	<b>(2,226)</b>	<b>(1,300)</b>	<b>(2,750)</b>
<b>Retail</b>					
Loans and advances to customers at amortised cost	4,800	13,890	68,496	(7,103)	80,083
Loan commitments and financial guarantees	(168)	(811)	(26)	-	(1,005)
Loans written-off	-	-	3,746	-	3,746
Recoveries from loans and advances to customers	-	-	(12,830)	-	(12,830)
<b>Total retail</b>	<b>4,632</b>	<b>13,079</b>	<b>59,386</b>	<b>(7,103)</b>	<b>69,994</b>
<b>Group</b>					
<b>30 June 2020</b>					
<i>In RON thousand</i>	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Non-retail</b>					
Loans and advances to banks at amortised cost	4	-	-	-	4
Loans and advances to customers at amortised cost	5,204	50,308	2,362	(13,473)	44,401
Loan commitments and financial guarantees	6,807	17,422	691	-	24,920
Investment securities at amortised cost	1,763	-	-	-	1,763
Loans written-off	35	15	316	-	366
Recoveries from loans and advances to customers	-	-	(3,233)	-	(3,233)
<b>Total non-retail</b>	<b>13,813</b>	<b>67,745</b>	<b>136</b>	<b>(13,473)</b>	<b>68,221</b>
<b>Retail</b>					
Loans and advances to customers at amortised cost	(36,938)	81,405	47,635	30,340	122,442
Loan commitments and financial guarantees	(1,335)	151	562	-	(622)
Loans written-off	1	2,175	20,978	-	23,154
Recoveries from loans and advances to customers	-	-	(16,917)	-	(16,917)
<b>Total retail</b>	<b>(38,272)</b>	<b>83,731</b>	<b>52,258</b>	<b>30,340</b>	<b>128,057</b>

**14. NET PROVISIONING FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS (continued)**

Bank	30 June 2021				
<i>In RON thousand</i>	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Non-retail</b>					
Loans and advances to banks at amortised cost	-	-	-	-	-
Investment in subsidiaries, associates and joint ventures	-	-	45,767	-	45,767
Loans and advances to customers at amortised cost	(3,043)	12,645	1,109	(1,300)	10,711
Loan commitments and financial guarantees	(5,285)	(2,772)	(4,278)	-	(12,335)
Investment securities at amortised cost	925	-	-	-	925
Loans written-off	-	-	5,780	-	5,780
Recoveries from loans and advances to customers	-	-	(4,953)	-	(4,953)
<b>Total non-retail</b>	<b>(7,403)</b>	<b>9,873</b>	<b>43,425</b>	<b>(1,300)</b>	<b>45,895</b>
<b>Retail</b>					
Loans and advances to customers at amortised cost	5,240	13,926	67,256	(7,103)	79,319
Loan commitments and financial guarantees	(168)	(811)	(26)	-	(1,005)
Loans written-off	-	-	3,746	-	3,746
Recoveries from loans and advances to customers	-	-	(12,755)	-	(12,755)
<b>Total retail</b>	<b>5,072</b>	<b>13,115</b>	<b>58,221</b>	<b>(7,103)</b>	<b>69,305</b>

  

Bank	30 June 2020				
<i>In RON thousand</i>	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	of which POCI stage 2	Total
<b>Non-retail</b>					
Loans and advances to banks at amortised cost	4	-	-	-	4
Investment in subsidiaries, associates and joint ventures	-	2,500	1,764	-	4,264
Loans and advances to customers at amortised cost	3,717	53,910	(138)	(13,473)	44,016
Loan commitments and financial guarantees	6,807	17,422	691	-	24,920
Investment securities at amortised cost	1,763	-	-	-	1,763
Loans written-off	35	15	316	-	366
Recoveries from loans and advances to customers	-	-	(3,233)	-	(3,233)
<b>Total non-retail</b>	<b>12,326</b>	<b>73,847</b>	<b>(600)</b>	<b>(13,473)</b>	<b>72,100</b>
<b>Retail</b>					
Loans and advances to customers at amortised cost	(36,803)	85,254	37,262	30,340	116,053
Loan commitments and financial guarantees	(1,335)	151	562	-	(622)
Loans written-off	1	2,175	20,978	-	23,154
Recoveries from loans and advances to customers	-	-	(16,923)	-	(16,923)
<b>Total retail</b>	<b>(38,137)</b>	<b>87,580</b>	<b>41,879</b>	<b>30,340</b>	<b>121,662</b>



**14. NET PROVISIONING FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS (continued)**

The contractual amount outstanding on credit exposures that were written off and are still subject to enforcement activity during the period as of 30 June 2021 is RON 59,430 thousand (31 December 2020: RON 121,194 thousand), out of which non-retail exposures in amount of RON 1,322 thousand (31 December 2020: RON 41,563 thousand) and retail exposures in amount of RON 58,108 thousand (31 December 2020: RON 79,632 thousand).

**15. INCOME TAX**
**i) INCOME TAX EXPENSE**
*In RON thousand*

	Group		Bank	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Current tax expenses at 16% (2020:16%) of taxable profits determined in accordance with Romanian law	(87,015)	(66,932)	(84,054)	(62,884)
Adjustments recognized in the period for current tax of prior periods	(463)	515	(463)	515
Deferred tax expense / (income) (Note 29)	(502)	6,896	728	5,676
Income tax resulted from tax inspection	(18,092)	-	(18,092)	-
<b>Total</b>	<b>(106,072)</b>	<b>(59,521)</b>	<b>(101,881)</b>	<b>(56,693)</b>

**ii) INCOME TAX RECEIVABLE**
*In RON thousand*

	Group		Bank	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Current tax receivable	1,332	19,937	-	19,171
Non current tax receivable *	95,569	126,274	95,569	126,274
<b>Total</b>	<b>96,901</b>	<b>146,211</b>	<b>95,569</b>	<b>145,445</b>

\*According to IFRIC 23, as of June 30, 2021, the carrying amount of income taxes with uncertain treatment is RON 95,569 thousand (December 31, 2020: RON 126,274 thousand) and resulted from the tax audit detailed in note 28 "Other assets". This amount includes income tax (principal and related penalties). In this respect, the taxation authority represents the body that decides whether tax treatments are acceptable under tax law and might include the court.

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

	Group		Bank	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
<i>In RON thousand</i>				
Gross profit before tax	510,535	314,559	499,040	336,977
<b>Taxation at statutory rate of 16% (2020: 16%)</b>	<b>81,686</b>	<b>50,329</b>	<b>79,846</b>	<b>53,916</b>
Non-deductible expenses	26,912	27,946	24,608	27,977
Non-taxable revenues	(18,733)	(2,212)	(17,565)	(10,019)
<b>Corporate income tax before fiscal credit</b>	<b>89,865</b>	<b>76,063</b>	<b>86,889</b>	<b>71,874</b>
Fiscal credit	(2,849)	(9,131)	(2,834)	(8,990)
Adjustments recognized in the period for current tax of prior periods (i)	462	(515)	462	(515)
<b>Corporate income tax</b>	<b>87,478</b>	<b>66,417</b>	<b>84,517</b>	<b>62,369</b>
Deferred tax expense / (income)	502	(6,896)	(728)	(5,676)
Income tax resulted from tax inspection	18,092	-	18,092	-
<b>Income tax expense</b>	<b>106,072</b>	<b>59,521</b>	<b>101,881</b>	<b>56,693</b>

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

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

**17. CASH AND CASH WITH CENTRAL BANK**

	Group		Bank	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
<i>In RON thousand</i>				
Cash on hand	4,310,486	6,504,154	4,309,710	6,503,734
Minimum compulsory reserve	4,231,300	4,350,045	4,231,300	4,350,045
<b>Total</b>	<b>8,541,786</b>	<b>10,854,199</b>	<b>8,541,010</b>	<b>10,853,779</b>

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 30 June 2021, the mandatory minimum reserve ratio was 8% (31 December 2020: 8%) for funds raised in RON and 5% (December 31, 2020: 5%) for funds in foreign currency with residual maturity of less than 2 years, at the end of the observation period. For liabilities having residual maturity over 2 years at the end of the observation period, without reimbursement, conversion or early retirement clauses, compulsory minimum reserve ratio was set at 0% (31 December 2020: 0%).

The minimum compulsory reserve can be used by the Group for daily activities but under the condition that the monthly average balance of the minimum compulsory reserve is kept within the legal limits.

**18. TRADING ASSETS / LIABILITIES**

<i>In RON thousand</i>	Group		Bank	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
<b>Trading assets</b>				
Debt instruments	230,537	330,076	230,537	330,076
Derivative financial instruments	6,888	24,195	6,888	24,195
<b>Total</b>	<b>237,425</b>	<b>354,271</b>	<b>237,425</b>	<b>354,271</b>
<b>Trading liabilities</b>				
Derivative financial instruments	9,309	23,393	9,309	23,393
<b>Total</b>	<b>9,309</b>	<b>23,393</b>	<b>9,309</b>	<b>23,393</b>

**19. DERIVATIVES HELD FOR RISK MANAGEMENT**
**Group**
**30 June 2021**

<i>In RON thousand</i>	<b>Notional buy</b>	<b>Notional sell</b>	<b>Fair value</b>	
			<b>Assets</b>	<b>Liabilities</b>
OTC products:				
Cross currency Interest rate swaps	56,116	56,116	1,854	422
FX swap	924,873	965,469	3,897	-
Interest rate swaps	194,801	194,801	-	4,556
<b>Total</b>			<b>5,751</b>	<b>4,978</b>

**31 December 2020**

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

**Bank**
**30 June 2021**

<i>In RON thousand</i>	<b>Notional buy</b>	<b>Notional sell</b>	<b>Fair value</b>	
			<b>Assets</b>	<b>Liabilities</b>
OTC products:				
Cross currency Interest rate swaps	56,116	56,116	1,854	422
FX swap	924,873	965,469	3,897	-
Interest rate swaps	194,801	194,801	-	4,556
<b>Total</b>			<b>5,751</b>	<b>4,978</b>

**31 December 2020**

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

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

The Group implemented hedge accounting for its currency and interest rate derivative contracts.

The fair value of derivative financial instruments is determined by discounted cash flow models using the market quotations at the valuation date.

Foreign exchange transactions are measured by discounted future models using the market rates from Reuters and the fixing price of National Bank of Romania.

**20. LOANS AND ADVANCES TO BANKS AT AMORTISED COST**

<i>In RON thousand</i>	Group		Bank	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Refundable at request	50,736	33,333	26,555	20,502
Sight deposits	1,218,916	81,885	1,218,916	81,885
Term deposits	533,049	710,773	533,049	710,773
Reverse repo	2,054,160	-	2,054,160	-
Term loans	50,016	146,068	50,016	146,068
Subordinated loans	-	-	11,896	11,938
<b>Total</b>	<b>3,906,877</b>	<b>972,059</b>	<b>3,894,592</b>	<b>971,166</b>

**Group:** As at 30 June 2021, out of the total term deposits, term deposits held with commercial banks are in amount of RON 519,985 thousand (2020: RON 664,262 thousand) and collateral deposits are in amount of RON 13,064 thousand (2020: RON 46,511 thousand).

**Bank:** As at 30 June 2021, out of the total term deposits, term deposits held with commercial banks are in amount of RON 519,985 thousand (2020: RON 664,262 thousand) and collateral deposits are in amount of RON 13,064 thousand (2020: RON 46,511 thousand).

**21. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST**

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

<i>In RON thousand</i>	Group		Bank	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
<b>Non-retail</b>				
Gross exposure	13,301,670	12,561,426	13,255,229	12,425,277
Impairment allowance	(431,231)	(412,786)	(410,157)	(390,529)
Net exposure	12,870,439	12,148,640	12,845,072	12,034,748
<b>Retail</b>				
Gross exposure	18,443,958	17,543,163	17,985,407	17,080,281
Impairment allowance	(948,536)	(918,743)	(926,219)	(894,178)
Net exposure	17,495,422	16,624,420	17,059,188	16,186,103
<b>Total net exposure</b>	<b>30,365,861</b>	<b>28,773,060</b>	<b>29,904,260</b>	<b>28,220,851</b>

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

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

Group	30 June 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In RON thousand</i>					
<b>Non-retail</b>					
Gross carrying amount as at 1 January 2021	9,784,991	2,432,111	286,458	57,866	12,561,426
New assets originated or purchased	3,277,224	490,986	37,232	723	3,806,165
Assets derecognised or repaid (excluding write offs)	(2,570,621)	(510,958)	(68,340)	(2,657)	(3,152,576)
Transfers to Stage 1	346,646	(346,646)	-	-	-
Transfers to Stage 2	(520,459)	527,082	1	-	6,624
Transfers to Stage 3	(469)	(41,901)	42,369	-	(1)
Decrease due to write-offs	-	-	-	-	-
Foreign exchange adjustments	59,947	18,234	1,676	175	80,032
<b>Total non-retail gross carrying amount as at 30 June 2021</b>	<b>10,377,259</b>	<b>2,568,908</b>	<b>299,396</b>	<b>56,107</b>	<b>13,301,670</b>
<i>In RON thousand</i>					
<b>Retail</b>					
Gross carrying amount as at 1 January 2021	14,450,139	2,109,475	773,355	210,194	17,543,163
New assets originated or purchased	3,704,758	80,800	913	2,253	3,788,724
Assets derecognised or repaid (excluding write offs)	(2,360,018)	(391,915)	(104,137)	(11,044)	(2,867,114)
Transfers to Stage 1	1,142,402	(1,126,171)	(16,231)	-	-
Transfers to Stage 2	(1,477,739)	1,502,538	(24,799)	-	-
Transfers to Stage 3	(23,845)	(193,465)	217,310	-	-
Decrease due to write-offs	-	-	(41,973)	-	(41,973)
Foreign exchange adjustments	16,185	3,651	603	719	21,158
<b>Total retail gross carrying amount as at 30 June 2021</b>	<b>15,451,882</b>	<b>1,984,913</b>	<b>805,041</b>	<b>202,122</b>	<b>18,443,958</b>
<b>Total gross carrying amount</b>	<b>25,829,141</b>	<b>4,553,821</b>	<b>1,104,437</b>	<b>258,229</b>	<b>31,745,628</b>

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

Group	31 December 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In RON thousand</i>					
<b>Non-retail</b>					
Gross carrying amount as at 1 January 2020	10,312,855	1,236,339	298,512	92,971	11,940,677
New assets originated or purchased	4,110,825	1,000,809	-	6,094	5,117,728
Assets derecognised or repaid (excluding write offs)	(3,183,982)	(1,288,138)	(51,366)	(41,374)	(4,564,860)
Transfers to Stage 1	4,389,097	(4,389,097)	-	-	-
Transfers to Stage 2	(5,899,066)	5,899,066	-	-	-
Transfers to Stage 3	(7,878)	(41,944)	49,822	-	-
Decrease due to write-offs	-	-	(13,093)	-	(13,093)
Foreign exchange adjustments	63,140	15,076	2,583	175	80,974
<b>Total non-retail gross carrying amount as at 31 December 2020</b>	<b>9,784,991</b>	<b>2,432,111</b>	<b>286,458</b>	<b>57,866</b>	<b>12,561,426</b>
<i>In RON thousand</i>					
<b>Retail</b>					
Gross carrying amount as at 1 January 2020	12,328,789	1,884,614	603,618	211,559	15,028,580
New assets originated or purchased	4,984,329	(97,752)	-	3,166	4,889,743
Assets derecognised or repaid (excluding write offs)	(1,745,856)	(570,783)	(46,345)	(7,172)	(2,370,156)
Transfers to Stage 1	5,563,447	(5,536,118)	(27,329)	-	-
Transfers to Stage 2	(6,667,132)	6,769,000	(101,868)	-	-
Transfers to Stage 3	(41,397)	(357,649)	399,046	-	-
Decrease due to write-offs	-	-	(57,268)	-	(57,268)
Foreign exchange adjustments	27,959	18,163	3,501	2,641	52,264
<b>Total retail gross carrying amount as at 31 December 2020</b>	<b>14,450,139</b>	<b>2,109,475</b>	<b>773,355</b>	<b>210,194</b>	<b>17,543,163</b>
<b>Total gross carrying amount</b>	<b>24,235,130</b>	<b>4,541,586</b>	<b>1,059,813</b>	<b>268,060</b>	<b>30,104,589</b>

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

<b>Bank</b>	<b>30 June 2021</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<i>In RON thousand</i>					
<b>Non-retail</b>					
Gross carrying amount as at 1 January 2021	9,817,307	2,281,947	268,157	57,866	12,425,277
New assets originated or purchased	3,300,857	492,612	38,483	723	3,832,675
Assets derecognised or repaid (excluding write offs)	(2,519,967)	(491,841)	(68,290)	(2,657)	(3,082,755)
Transfers to Stage 1	312,424	(312,424)	-	-	-
Transfers to Stage 2	(504,269)	504,268	1	-	-
Transfers to Stage 3	(468)	(41,271)	41,739	-	-
Decrease account due to write-offs	-	-	-	-	-
Foreign exchange adjustments	59,947	18,234	1,676	175	80,032
<b>Total non-retail gross carrying amount as at 30 June 2021</b>	<b>10,465,831</b>	<b>2,451,525</b>	<b>281,766</b>	<b>56,107</b>	<b>13,255,229</b>
<i>In RON thousand</i>					
<b>Retail</b>					
Gross carrying amount as at 1 January 2021	14,058,484	2,069,454	742,149	210,194	17,080,281
New assets originated or purchased	3,637,810	81,917	913	2,253	3,722,893
Assets derecognised or repaid (excluding write offs)	(2,309,059)	(387,349)	(89,500)	(11,044)	(2,796,952)
Transfers to Stage 1	1,140,444	(1,125,188)	(15,256)	-	-
Transfers to Stage 2	(1,468,745)	1,500,168	(31,423)	-	-
Transfers to Stage 3	(20,968)	(190,610)	211,578	-	-
Decrease due to write-offs	-	-	(41,973)	-	(41,973)
Foreign exchange adjustments	16,185	3,651	603	719	21,158
<b>Total retail gross carrying amount as at 30 June 2021</b>	<b>15,054,151</b>	<b>1,952,043</b>	<b>777,091</b>	<b>202,122</b>	<b>17,985,407</b>
<b>Total gross carrying amount</b>	<b>25,519,982</b>	<b>4,403,568</b>	<b>1,058,857</b>	<b>258,229</b>	<b>31,240,636</b>



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

Bank	31 December 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In RON thousand</i>					
<b>Non-retail</b>					
Gross carrying amount as at 1 January 2020	10,226,466	1,190,010	277,577	92,971	11,787,024
New assets originated or purchased	3,991,424	990,471	-	6,094	4,987,989
Assets derecognised or repaid (excluding write offs)	(3,073,463)	(1,257,909)	(44,898)	(41,374)	(4,417,644)
Transfers to Stage 1	4,377,328	(4,377,328)	-	-	-
Transfers to Stage 2	(5,762,065)	5,762,065	-	-	-
Transfers to Stage 3	(5,523)	(40,438)	45,961	-	-
Decrease account due to write-offs	-	-	(13,066)	-	(13,066)
Foreign exchange adjustments	63,140	15,076	2,583	175	80,974
<b>Total non-retail gross carrying amount as at 31 December 2020</b>	<b>9,817,307</b>	<b>2,281,947</b>	<b>268,157</b>	<b>57,866</b>	<b>12,425,277</b>
<i>In RON thousand</i>					
<b>Retail</b>					
Gross carrying amount as at 1 January 2020	11,969,993	1,879,001	591,271	211,559	14,651,824
New assets originated or purchased	4,829,918	(101,685)	-	3,166	4,731,399
Assets derecognised or repaid (excluding write offs)	(1,669,053)	(565,544)	(56,216)	(7,172)	(2,297,985)
Transfers to Stage 1	5,561,389	(5,535,428)	(25,961)	-	-
Transfers to Stage 2	(6,629,592)	6,731,002	(101,410)	-	-
Transfers to Stage 3	(32,139)	(356,055)	388,194	-	-
Decrease due to write-offs	-	-	(57,268)	-	(57,268)
Foreign exchange adjustments	27,968	18,163	3,539	2,641	52,311
<b>Total retail gross carrying amount as at 31 December 2020</b>	<b>14,058,484</b>	<b>2,069,454</b>	<b>742,149</b>	<b>210,194</b>	<b>17,080,281</b>
<b>Total gross carrying amount</b>	<b>23,875,791</b>	<b>4,351,401</b>	<b>1,010,306</b>	<b>268,060</b>	<b>29,505,558</b>

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

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

Group	30 June 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In RON thousand</i>					
<b>Non-retail</b>					
ECL allowance as at 1 January 2021	95,990	98,772	176,523	41,501	412,786
New assets originated or purchased	22,097	28,227	11,185	-	61,509
Assets derecognised or repaid (excluding write offs)	(7,842)	(16,949)	(11,701)	(159)	(36,651)
Transfers to Stage 1	5,770	(5,770)	-	-	-
Transfers to Stage 2	(5,140)	5,140	-	-	-
Transfers to Stage 3	-	(1,288)	1,288	-	-
Impact on year end ECL of exposures transferred between stages during the year	(17,824)	15,351	(2,556)	(2,283)	(7,312)
Uncollected impaired interest	-	-	(615)	627	12
Decrease in allowance account due to write-offs	-	-	(1,283)	-	(1,283)
Foreign exchange adjustments	348	743	1,028	51	2,170
<b>Total non-retail ECL as at 30 June 2021</b>	<b>93,399</b>	<b>124,226</b>	<b>173,869</b>	<b>39,737</b>	<b>431,231</b>
<i>In RON thousand</i>					
<b>Retail</b>					
ECL allowance as at 1 January 2021	93,877	200,092	580,337	44,438	918,744
New assets originated or purchased	30,929	3,094	1,521	-	35,544
Assets derecognised or repaid (excluding write offs)	(10,799)	11,168	(32,809)	(2,312)	(34,752)
Transfers to Stage 1	99,763	(90,665)	(9,098)	-	-
Transfers to Stage 2	(17,317)	37,949	(20,669)	37	-
Transfers to Stage 3	(287)	(35,928)	36,171	44	-
Impact on year end ECL of exposures transferred between stages during the year	(100,800)	72,673	89,463	573	61,909
Uncollected impaired interest	-	-	(281)	(58)	(339)
Changes in methodology	-	-	-	-	-
Decrease in allowance account due to write-offs	-	-	(33,462)	-	(33,462)
Foreign exchange adjustments	86	185	503	118	892
<b>Total retail ECL as at 30 June 2021</b>	<b>95,452</b>	<b>198,568</b>	<b>611,676</b>	<b>42,840</b>	<b>948,536</b>
<b>Total impairment allowance</b>	<b>188,851</b>	<b>322,794</b>	<b>785,545</b>	<b>82,577</b>	<b>1,379,767</b>

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

Group	31 December 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In RON thousand</i>					
<b>Non-retail</b>					
ECL allowance as at 1 January 2020	38,214	18,802	193,755	43,290	294,061
New assets originated or purchased	174,923	70,591	6,052	-	251,566
Assets derecognised or repaid (excluding write offs)	(126,712)	(22,515)	(33,765)	(435)	(183,427)
Transfers to Stage 1	59,052	(59,052)	-	-	-
Transfers to Stage 2	(23,936)	23,936	-	-	-
Transfers to Stage 3	(144)	(2,632)	2,776	-	-
Impact on year end ECL of exposures transferred between stages during the year	(25,580)	69,526	24,014	(1,445)	66,515
Uncollected impaired interest	-	-	(5,001)	37	(4,964)
Decrease in allowance account due to write-offs	-	-	(13,066)	-	(13,066)
Foreign exchange adjustments	173	116	1,758	54	2,101
<b>Total non-retail ECL as at 31 December 2020</b>	<b>95,990</b>	<b>98,772</b>	<b>176,523</b>	<b>41,501</b>	<b>412,786</b>
<i>In RON thousand</i>					
<b>Retail</b>					
ECL allowance as at 1 January 2020	95,517	157,042	534,202	46,724	833,485
New assets originated or purchased	41,540	41,210	4,897	-	87,647
Assets derecognised or repaid (excluding write offs)	(14,472)	(46,836)	(78,565)	(3,885)	(143,758)
Transfers to Stage 1	247,043	(230,769)	(16,274)	-	-
Transfers to Stage 2	(62,116)	126,363	(64,385)	138	-
Transfers to Stage 3	(568)	(68,272)	68,756	84	-
Impact on year end ECL of exposures transferred between stages during the year	(213,203)	219,629	179,211	324	185,961
Uncollected impaired interest	-	345	7,296	344	7,985
Changes in methodology	-	-	-	-	-
Decrease in allowance account due to write-offs	-	-	(57,268)	-	(57,268)
Foreign exchange adjustments	136	1,380	2,467	709	4,692
<b>Total retail ECL as at 31 December 2020</b>	<b>93,877</b>	<b>200,092</b>	<b>580,337</b>	<b>44,438</b>	<b>918,744</b>
<b>Total impairment allowance</b>	<b>189,867</b>	<b>298,864</b>	<b>756,860</b>	<b>85,939</b>	<b>1,331,530</b>

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

Bank	30 June 2021				
<i>In RON thousand</i>	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Non-retail</b>					
ECL allowance as at 1 January 2021	94,119	94,301	160,608	41,501	390,529
New assets originated or purchased	21,805	28,282	11,185	-	61,272
Assets derecognised or repaid (excluding write offs)	(7,816)	(16,772)	(10,897)	(159)	(35,644)
Transfers to Stage 1	5,770	(5,770)	-	-	-
Transfers to Stage 2	(5,140)	5,140	-	-	-
Transfers to Stage 3	-	(1,288)	1,288	-	-
Impact on year end ECL of exposures transferred between stages during the year	(17,663)	16,227	(2,973)	(2,283)	(6,692)
Uncollected impaired interest	-	-	(615)	627	12
Decrease in allowance account due to write-offs	-	-	(1,282)	-	(1,282)
Foreign exchange adjustments	330	710	871	51	1,962
<b>At 30 June 2021</b>	<b>91,405</b>	<b>120,830</b>	<b>158,185</b>	<b>39,737</b>	<b>410,157</b>
 <i>In RON thousand</i>					
<b>Retail</b>					
ECL allowance as at 1 January 2021	87,843	200,669	561,285	44,447	894,244
New assets originated or purchased	30,077	3,088	1,521	-	34,686
Assets derecognised or repaid (excluding write offs)	(10,266)	11,374	(31,390)	(2,312)	(32,594)
Transfers to Stage 1	99,763	(90,665)	(9,098)	-	-
Transfers to Stage 2	(17,317)	37,949	(20,669)	37	-
Transfers to Stage 3	(287)	(35,928)	36,171	44	-
Impact on year end ECL of exposures transferred between stages during the year	(100,045)	73,135	89,267	573	62,930
Uncollected impaired interest	-	-	(281)	(58)	(339)
Decrease in allowance account due to write-offs	-	-	(33,425)	-	(33,425)
Foreign exchange adjustments	60	165	374	118	717
<b>At 30 June 2021</b>	<b>89,828</b>	<b>199,787</b>	<b>593,755</b>	<b>42,849</b>	<b>926,219</b>
<b>Total impairment allowance</b>	<b>181,233</b>	<b>320,617</b>	<b>751,940</b>	<b>82,586</b>	<b>1,336,376</b>

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

<b>Bank</b>	<b>31 December 2020</b>				
<i>In RON thousand</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>Non-retail</b>					
ECL allowance as at 1 January 2020	37,455	17,645	177,487	43,290	275,877
New assets originated or purchased	174,417	70,531	6,049	-	250,997
Assets derecognised or repaid (excluding write offs)	(126,603)	(22,034)	(32,885)	(435)	(181,957)
Transfers to Stage 1	59,052	(59,052)	-	-	-
Transfers to Stage 2	(23,936)	23,936	-	-	-
Transfers to Stage 3	(144)	(2,632)	2,776	-	-
Impact on year end ECL of exposures transferred between stages during the year	(26,281)	65,794	18,728	(1,445)	56,796
Uncollected impaired interest	-	-	-	37	37
Decrease in allowance account due to write-offs	-	-	(13,066)	-	(13,066)
Foreign exchange adjustments	159	113	1,519	54	1,845
<b>At 31 December 2020</b>	<b>94,119</b>	<b>94,301</b>	<b>160,608</b>	<b>41,501</b>	<b>390,529</b>
<i>In RON thousand</i>					
<b>Retail</b>					
ECL allowance as at 1 January 2020	91,593	157,612	521,473	46,724	817,402
New assets originated or purchased	39,217	41,148	3,600	-	83,965
Assets derecognised or repaid (excluding write offs)	(14,254)	(46,776)	(77,966)	(3,885)	(142,881)
Transfers to Stage 1	247,043	(230,769)	(16,274)	-	-
Transfers to Stage 2	(62,116)	126,363	(64,385)	138	-
Transfers to Stage 3	(568)	(68,272)	68,756	84	-
Impact on year end ECL of exposures transferred between stages during the year	(213,177)	219,638	173,734	333	180,528
Uncollected impaired interest	-	345	7,296	344	7,985
Decrease in allowance account due to write-offs	-	-	(57,268)	-	(57,268)
Foreign exchange adjustments	105	1,380	2,319	709	4,513
<b>At 31 December 2020</b>	<b>87,843</b>	<b>200,669</b>	<b>561,285</b>	<b>44,447</b>	<b>894,244</b>
 <b>Total impairment allowance</b>	 <b>181,962</b>	 <b>294,970</b>	 <b>721,893</b>	 <b>85,948</b>	 <b>1,284,773</b>

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

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

Group	30 June 2021				
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	POCI	Total
<i>In RON thousand</i>					
<b>Non-retail</b>					
Gross carrying amount as at 1 January 2021	9,831,942	560,354	132,872		10,525,168
New assets originated or purchased	3,947,944	192,839	20,390	51	4,161,224
Assets derecognised or repaid (excluding write offs)	(4,364,630)	(415,678)	(46,288)	-	(4,826,596)
Transfers to Stage 1	231,007	(231,007)	-	-	-
Transfers to Stage 2	(328,526)	328,526	-	-	-
Transfers to Stage 3	-	(3,454)	3,454	-	-
Foreign exchange adjustments	55,271	3,558	836	-	59,665
<b>Total non-retail gross carrying amount as at 30 June 2021</b>	<b>9,373,008</b>	<b>435,138</b>	<b>111,264</b>	<b>51</b>	<b>9,919,462</b>
<i>In RON thousand</i>					
<b>Retail</b>					
Gross carrying amount as at 1 January 2021	2,479,834	1,336,928	12,158		3,828,920
New assets originated or purchased	452,809	21,646	-	2,961	477,416
Assets derecognised or repaid (excluding write offs)	(406,132)	47,270	(2,697)	-	(361,559)
Transfers to Stage 1	554,588	(552,671)	(1,917)	-	-
Transfers to Stage 2	(484,651)	486,618	(1,967)	-	-
Transfers to Stage 3	(3,685)	(3,059)	6,744	-	-
Foreign exchange adjustments	51	154	2	-	207
<b>Total retail gross carrying amount as at 30 June 2021</b>	<b>2,592,814</b>	<b>1,336,886</b>	<b>12,323</b>	<b>2,961</b>	<b>3,944,983</b>
<b>Total gross carrying amount</b>	<b>11,965,822</b>	<b>1,772,024</b>	<b>123,587</b>	<b>3,012</b>	<b>13,864,445</b>

Group	31 December 2020			
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	Total
<i>In RON thousand</i>				
<b>Non-retail</b>				
Gross carrying amount as at 1 January 2020	9,165,226	348,979	163,812	9,678,017
New assets originated or purchased	6,429,484	-	-	6,429,484
Assets derecognised or repaid (excluding write offs)	(4,825,100)	(753,014)	(43,106)	(5,621,220)
Transfers to Stage 1	2,401,349	(2,401,349)	-	-
Transfers to Stage 2	(3,364,668)	3,364,668	-	-
Transfers to Stage 3	(4,809)	(6,079)	10,888	-
Foreign exchange adjustments	30,460	7,149	1,278	38,887
<b>Total non-retail gross carrying amount as at 31 December 2020</b>	<b>9,831,942</b>	<b>560,354</b>	<b>132,872</b>	<b>10,525,168</b>
<i>In RON thousand</i>				
<b>Retail</b>				
Gross carrying amount as at 1 January 2020	2,294,440	849,202	10,074	3,153,716
New assets originated or purchased	641,150	-	-	641,150
Assets derecognised or repaid (excluding write offs)	(388,848)	427,143	(4,542)	33,753
Transfers to Stage 1	1,110,232	(1,107,162)	(3,070)	-
Transfers to Stage 2	(1,171,049)	1,174,255	(3,206)	-
Transfers to Stage 3	(6,091)	(6,808)	12,899	-
Foreign exchange adjustments	-	298	3	301
<b>Total retail gross carrying amount as at 31 December 2020</b>	<b>2,479,834</b>	<b>1,336,928</b>	<b>12,158</b>	<b>3,828,920</b>
<b>Total gross carrying amount</b>	<b>12,311,776</b>	<b>1,897,282</b>	<b>145,030</b>	<b>14,354,088</b>

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

Bank	30 June 2021				
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	POCI	Total
<i>In RON thousand</i>					
<b>Non-retail</b>					
Gross carrying amount as at 1 January 2021	9,735,319	559,910	132,316	-	10,427,545
New assets originated or purchased	3,942,048	192,127	20,381	51	4,154,607
Assets derecognised or repaid (excluding write offs)	(4,302,692)	(415,678)	(46,021)	-	(4,764,391)
Transfers to Stage 1	231,007	(231,007)	-	-	-
Transfers to Stage 2	(328,526)	328,526	-	-	-
Transfers to Stage 3	-	(3,454)	3,454	-	-
Foreign exchange adjustments	55,271	3,558	837	-	59,666
<b>Total non-retail gross carrying amount as at 30 June 2021</b>	<b>9,332,427</b>	<b>433,982</b>	<b>110,967</b>	<b>51</b>	<b>9,877,428</b>
<i>In RON thousand</i>					
<b>Retail</b>					
Gross carrying amount as at 1 January 2021	2,454,826	1,336,928	12,160	-	3,803,914
New assets originated or purchased	442,268	21,646	-	2,961	466,875
Assets derecognised or repaid (excluding write offs)	(391,624)	47,714	(2,970)	-	(346,880)
Transfers to Stage 1	554,588	(552,671)	(1,917)	-	-
Transfers to Stage 2	(484,651)	486,618	(1,967)	-	-
Transfers to Stage 3	(3,685)	(3,059)	6,744	-	-
Foreign exchange adjustments	51	154	2	-	207
<b>Total retail gross carrying amount as at 30 June 2021</b>	<b>2,571,773</b>	<b>1,337,330</b>	<b>12,052</b>	<b>2,961</b>	<b>3,924,116</b>
<b>Total gross carrying amount</b>	<b>11,904,200</b>	<b>1,771,313</b>	<b>123,019</b>	<b>3,012</b>	<b>13,801,544</b>

Bank	31 December 2020			
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	Total
<i>In RON thousand</i>				
<b>Non-retail</b>				
Gross carrying amount as at 1 January 2020	9,103,730	348,535	162,988	9,615,253
New assets originated or purchased	6,394,357	-	-	6,394,357
Assets derecognised or repaid (excluding write offs)	(4,825,100)	(753,014)	(42,839)	(5,620,953)
Transfers to Stage 1	2,401,349	(2,401,349)	-	-
Transfers to Stage 2	(3,364,668)	3,364,668	-	-
Transfers to Stage 3	(4,809)	(6,079)	10,888	-
Foreign exchange adjustments	30,460	7,149	1,279	38,888
<b>Total non-retail gross carrying amount as at 31 December 2020</b>	<b>9,735,319</b>	<b>559,910</b>	<b>132,316</b>	<b>10,427,545</b>
<i>In RON thousand</i>				
<b>Retail</b>				
Gross carrying amount as at 1 January 2020	2,279,490	849,202	10,075	3,138,767
New assets originated or purchased	631,092	-	-	631,092
Assets derecognised or repaid (excluding write offs)	(388,848)	427,143	(4,541)	33,754
Transfers to Stage 1	1,110,232	(1,107,162)	(3,070)	-
Transfers to Stage 2	(1,171,049)	1,174,255	(3,206)	-
Transfers to Stage 3	(6,091)	(6,808)	12,899	-
Foreign exchange adjustments	-	298	3	301
<b>Total retail gross carrying amount as at 31 December 2020</b>	<b>2,454,826</b>	<b>1,336,928</b>	<b>12,160</b>	<b>3,803,914</b>
<b>Total gross carrying amount</b>	<b>12,190,145</b>	<b>1,896,838</b>	<b>144,476</b>	<b>14,231,459</b>

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

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

Group	30 June 2021				
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	POCI	Total
<i>In RON thousand</i>					
<b>Non-retail</b>					
ECL allowance as at 1 January 2021	27,445	9,807	49,355	-	86,607
New assets originated or purchased	8,097	4,691	4,052	-	16,840
Assets derecognised or repaid (excluding write offs)	(2,251)	(1,577)	(10,773)	-	(14,601)
Transfers to Stage 1	1,779	(1,779)	-	-	-
Transfers to Stage 2	(1,088)	1,088	-	-	-
Transfers to Stage 3	-	(919)	919	-	-
Impact on changes due to change in credit risk (net)	(11,391)	(4,196)	1,559	-	(14,028)
Foreign exchange adjustments	134	60	222	-	416
<b>Total non-retail ECL as at 30 June 2021</b>	<b>22,725</b>	<b>7,175</b>	<b>45,334</b>		<b>75,234</b>
<i>In RON thousand</i>					
<b>Retail</b>					
ECL allowance as at 1 January 2021	2,304	3,519	10,090	-	15,913
New assets originated or purchased	1,372	144	324	1,720	3,560
Assets derecognised or repaid (excluding write offs)	(225)	(246)	(760)	-	(1,231)
Transfers to Stage 1	3,130	(1,947)	(1,177)	(6)	-
Transfers to Stage 2	(333)	1,546	(1,246)	33	-
Transfers to Stage 3	(6)	(33)	37	2	-
Impact on changes due to change in credit risk (net)	(3,151)	(356)	364	66	(3,077)
Foreign exchange adjustments	-	-	1	-	1
<b>Total retail ECL as at 30 June 2021</b>	<b>3,091</b>	<b>2,627</b>	<b>7,633</b>	<b>1,815</b>	<b>15,166</b>
<b>Total impairment allowance</b>	<b>25,816</b>	<b>9,802</b>	<b>52,967</b>	<b>1,815</b>	<b>90,400</b>

Group	31 December 2020			
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	Total
<i>In RON thousand</i>				
<b>Non-retail</b>				
ECL allowance as at 1 January 2020	10,679	5,467	46,744	62,890
New assets originated or purchased	38,615	-	-	38,615
Assets derecognised or repaid (excluding write offs)	(3,169)	(4,079)	(13,909)	(21,157)
Transfers to Stage 1	1,161	(17,126)	15,965	-
Transfers to Stage 2	(6,870)	6,870	-	-
Transfers to Stage 3	(64)	(36)	100	-
Impact on changes due to change in credit risk (net)	(12,912)	18,664	144	5,896
Foreign exchange adjustments	5	47	311	363
<b>Total non-retail ECL as at 31 December 2020</b>	<b>27,445</b>	<b>9,807</b>	<b>49,355</b>	<b>86,607</b>
<i>In RON thousand</i>				
<b>Retail</b>				
ECL allowance as at 1 January 2020	2,967	3,306	7,933	14,206
New assets originated or purchased	3,720	-	-	3,720
Assets derecognised or repaid (excluding write offs)	(451)	(824)	(945)	(2,220)
Transfers to Stage 1	5,215	(4,754)	(461)	-
Transfers to Stage 2	(1,454)	3,561	(2,107)	-
Transfers to Stage 3	(11)	(88)	99	-
Impact on changes due to change in credit risk (net)	(7,682)	2,317	5,570	205
Foreign exchange adjustments	-	1	1	2
<b>Total retail ECL as at 31 December 2020</b>	<b>2,304</b>	<b>3,519</b>	<b>10,090</b>	<b>15,913</b>
<b>Total impairment allowance</b>	<b>29,749</b>	<b>13,326</b>	<b>59,445</b>	<b>102,520</b>



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

Bank	30 June 2021				
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual	POCI	Total
<i>In RON thousand</i>					
<b>Non-retail</b>					
ECL allowance as at 1 January 2021	27,445	9,807	49,355	-	86,607
New assets originated or purchased	7,386	4,601	4,052	-	16,039
Assets derecognised or repaid (excluding write offs)	(1,988)	(1,577)	(10,773)	-	(14,338)
Transfers to Stage 1	1,779	(1,779)	-	-	-
Transfers to Stage 2	(1,088)	1,088	-	-	-
Transfers to Stage 3	-	(919)	919	-	-
Impact on changes due to change in credit risk (net)	(11,391)	(4,196)	1,559	-	(14,028)
Foreign exchange adjustments	134	60	222	-	416
<b>Total non-retail ECL as at 30 June 2021</b>	<b>22,277</b>	<b>7,085</b>	<b>45,334</b>		<b>74,696</b>
<i>In RON thousand</i>					
<b>Retail</b>					
ECL allowance as at 1 January 2021	2,304	3,519	10,090	-	15,913
New assets originated or purchased	1,097	144	324	1,720	3,285
Assets derecognised or repaid (excluding write offs)	(206)	(246)	(760)	-	(1,212)
Transfers to Stage 1	3,130	(1,947)	(1,177)	(6)	-
Transfers to Stage 2	(333)	1,546	(1,246)	33	-
Transfers to Stage 3	(6)	(33)	37	2	-
Impact on changes due to change in credit risk (net)	(3,152)	(356)	364	66	(3,078)
Foreign exchange adjustments	-	-	1	-	1
<b>Total retail ECL as at 30 June 2021</b>	<b>2,834</b>	<b>2,627</b>	<b>7,633</b>	<b>1,815</b>	<b>14,909</b>
<b>Total impairment allowance</b>	<b>25,111</b>	<b>9,712</b>	<b>52,967</b>	<b>1,815</b>	<b>89,605</b>
<b>Bank</b>					
<i>In RON thousand</i>					
<b>Non-retail</b>					
ECL allowance as at 1 January 2020	10,679	5,467	46,744	-	62,890
New assets originated or purchased	13,667	8,983	15,965	-	38,615
Assets derecognised or repaid (excluding write offs)	(3,169)	(4,079)	(13,909)	-	(21,157)
Transfers to Stage 1	26,109	(26,109)	-	-	-
Transfers to Stage 2	(6,870)	6,870	-	-	-
Transfers to Stage 3	(64)	(36)	100	-	-
Impact on changes due to change in credit risk (net)	(12,912)	18,664	144	-	5,896
Foreign exchange adjustments	5	47	311	-	363
<b>Total non-retail ECL as at 31 December 2020</b>	<b>27,445</b>	<b>9,807</b>	<b>49,355</b>		<b>86,607</b>
<i>In RON thousand</i>					
<b>Retail</b>					
ECL allowance as at 1 January 2020	2,967	3,306	7,933	-	14,206
New assets originated or purchased	1,786	491	1,443	-	3,720
Assets derecognised or repaid (excluding write offs)	(451)	(824)	(945)	-	(2,220)
Transfers to Stage 1	7,149	(5,245)	(1,904)	-	-
Transfers to Stage 2	(1,454)	3,561	(2,107)	-	-
Transfers to Stage 3	(11)	(88)	99	-	-
Impact on changes due to change in credit risk (net)	(7,682)	2,317	5,570	-	205
Foreign exchange adjustments	-	1	1	-	2
<b>Total retail ECL as at 31 December 2020</b>	<b>2,304</b>	<b>3,519</b>	<b>10,090</b>		<b>15,913</b>
<b>Total impairment allowance</b>	<b>29,749</b>	<b>13,326</b>	<b>59,445</b>		<b>102,520</b>

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

Non-performing exposure, in accordance with EBA/ITS/2013/03/rev1 Regulation from July 24th 2014 with subsequent amendments, can be analysed as follows:

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
<b>Exposure</b>	<b>1,227,694</b>	<b>1,191,474</b>	<b>1,182,205</b>	<b>1,142,070</b>
out of which retail:	777,453	818,565	774,920	815,846
out of which non-retail:	450,241	372,909	407,285	326,224
<b>Impairment allowance</b>	<b>861,979</b>	<b>826,177</b>	<b>830,516</b>	<b>793,269</b>
out of which retail:	542,377	592,853	540,965	591,160
out of which non-retail:	319,602	233,324	289,551	202,109
<b>Net Book Value</b>	<b>365,715</b>	<b>365,297</b>	<b>351,689</b>	<b>348,801</b>
out of which retail:	235,076	225,712	233,955	224,686
out of which non-retail:	130,639	139,585	117,734	124,115

The following tables provide a summary of the Group and Bank forborne exposures and corresponding ECL:

<i>In RON thousand</i>	<b>30 June 2021</b>			
	<b>Group</b>		<b>Bank</b>	
	<b>Gross carrying amount for retail forborne</b>	<b>Gross carrying amount for non-retail forborne</b>	<b>Gross carrying amount for retail forborne</b>	<b>Gross carrying amount for non-retail forborne</b>
Modification to term and conditions	65,360	240,775	64,684	230,225
Refinancing	1,706	7,392	1,706	7,392
<b>Total performing forborne loans</b>	<b>67,066</b>	<b>248,167</b>	<b>66,390</b>	<b>237,617</b>
Modification to term and conditions	239,177	153,180	239,158	140,181
Refinancing	3,055	1,258	3,055	756
<b>Total non-performing forborne loans</b>	<b>242,232</b>	<b>154,438</b>	<b>242,213</b>	<b>140,937</b>
<b>Total forborne loans</b>	<b>309,298</b>	<b>402,605</b>	<b>308,603</b>	<b>378,554</b>
<i>In RON thousand</i>	<b>31 December 2020</b>			
	<b>Group</b>		<b>Bank</b>	
	<b>Gross carrying amount for retail forborne</b>	<b>Gross carrying amount for non-retail forborne</b>	<b>Gross carrying amount for retail forborne</b>	<b>Gross carrying amount for non-retail forborne</b>
Modification to term and conditions	102,864	46,793	102,864	41,464
Refinancing	2,542	-	2,542	-
<b>Total performing forborne loans</b>	<b>105,406</b>	<b>46,793</b>	<b>105,406</b>	<b>41,464</b>
Modification to term and conditions	266,501	147,555	266,501	130,760
Refinancing	3,883	492	3,883	-
<b>Total non-performing forborne loans</b>	<b>270,384</b>	<b>148,047</b>	<b>270,384</b>	<b>130,760</b>
<b>Total forborne loans</b>	<b>375,790</b>	<b>194,840</b>	<b>375,790</b>	<b>172,224</b>

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

<i>In RON thousand</i>	30 June 2021			
	Group		Bank	
	Impairment allowance of retail forborne loans	Impairment allowance of non-retail forborne loans	Impairment allowance of retail forborne loans	Impairment allowance of non-retail forborne loans
Modification to term and conditions	(4,439)	(6,046)	(4,439)	(5,631)
<b>Total impairment allowance of performing forborne loans</b>	<b>(4,439)</b>	<b>(6,046)</b>	<b>(4,439)</b>	<b>(5,631)</b>
Modification to term and conditions	(174,800)	(89,574)	(174,800)	(79,936)
Refinancing	(2,257)	(1,258)	(2,257)	(756)
<b>Total impairment allowance of non performing forborne loans</b>	<b>(177,057)</b>	<b>(90,832)</b>	<b>(177,057)</b>	<b>(80,692)</b>
<b>Total impairment allowance of forborne loans</b>	<b>(181,496)</b>	<b>(96,878)</b>	<b>(181,496)</b>	<b>(86,323)</b>

  

<i>In RON thousand</i>	31 December 2020			
	Group		Bank	
	Impairment allowance of retail forborne loans	Impairment allowance of non-retail forborne loans	Impairment allowance of retail forborne loans	Impairment allowance of non-retail forborne loans
Modification to term and conditions	(4,576)	(578)	(4,576)	(398)
<b>Total impairment allowance of performing forborne loans</b>	<b>(4,576)</b>	<b>(578)</b>	<b>(4,576)</b>	<b>(398)</b>
Modification to term and conditions	(186,085)	(90,915)	(186,085)	(81,712)
Refinancing	(2,773)	(493)	(2,773)	0
<b>Total impairment allowance of non performing forborne loans</b>	<b>(188,858)</b>	<b>(91,408)</b>	<b>(188,858)</b>	<b>(81,712)</b>
<b>Total impairment allowance of forborne loans</b>	<b>(193,434)</b>	<b>(91,986)</b>	<b>(193,434)</b>	<b>(82,110)</b>

During the financial year 2021, the following existing loans were modified, in accordance with IFRS 9, as a result of payment deferral:

<b>Group</b>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<i>In Ron thousand</i>					
<b>Amortised cost before modification</b>	238,886	46,802	26,823	1,548	314,059
Net modification gain/loss	(2,602)	(1,185)	(690)	(36)	(4,513)
<b>Amortised cost after modification</b>	236,284	45,617	26,133	1,512	309,546
<b>Bank</b>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<i>In Ron thousand</i>					
<b>Amortised cost before modification</b>	238,886	46,802	26,823	1,548	314,059
Net modification gain/loss	(2,602)	(1,185)	(690)	(36)	(4,513)
<b>Amortised cost after modification</b>	236,284	45,617	26,133	1,512	309,546

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

**Financial lease**

The Group acts as a lessor in finance lease contracts for vehicles, equipment and real estate. Leasing contracts are denominated in EUR or RON and with a contract tenor of 1 to 8 years, in the case of vehicle lease contracts and 1 to 10 years in case of 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:

	<b>30 June 2021</b>	<b>31 December 2020</b>
<i>In RON thousand</i>		
Less than one year	84,011	85,678
1 to 2 years	153,767	136,232
Two to 3 years	255,943	247,452
Three to 4 years	268,379	286,710
Four to 5 years	259,314	215,731
More than 5 years	94,688	90,202
Total undiscounted lease payments receivables	<b>1,116,102</b>	<b>1,062,005</b>
Unearned finance income	(54,247)	(34,131)
<b>Net investment in lease</b>	<b>1,061,855</b>	<b>1,027,874</b>

**22. INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
<i>Investment securities at fair value through other comprehensive income out of which:</i>				
Bonds issued by the Government of Romania	3,284,830	2,841,071	3,186,780	2,779,427
Bonds issued by other public sector	315,259	331,789	315,258	331,789
Bonds issued by credit institutions	-	39,668	-	39,668
<b>Total investment securities at fair value through other comprehensive income</b>	<b>3,600,089</b>	<b>3,212,528</b>	<b>3,502,038</b>	<b>3,150,884</b>

Treasury securities issued by the Government of Romania include discount and coupon securities denominated in RON. Discount treasury bills bear fixed interest rates. Bonds issued by the Government of Romania include bonds issued by the Ministry of Finance denominated in RON, EUR and USD, bearing fixed interest rate between 0.45% p.a. and 6.75% p.a.

As at June 30 2021, bonds amounting to RON 188,930 thousand (31 December 2020: RON 180,355 thousand) are pledged as security in order to comply with National Bank of Romania prudential regulations for settlement of inter-banking operations. Income from debt instruments is recognized in interest and similar income.

Bonds issued by other public sector and by credit institutions are valued using valuation models based on observable inputs (Level II), while the rest of the instruments are valued based on quoted market prices (Level I).

**23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Unquoted equity instruments	12,124	11,678	12,124	11,678
Quoted equity instruments	37,194	33,311	37,194	33,311
<b>Total equity instruments at fair value through other comprehensive income</b>	<b>49,318</b>	<b>44,989</b>	<b>49,318</b>	<b>44,989</b>

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.

**23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)**

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. The Group received dividends at 30 June 2021 amounting to RON 1,481 thousand (2020: RON 1,493 thousand).

**24. INVESTMENTS SECURITIES AT AMORTISED COST**

<i>In RON thousand</i>	Group		Bank	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Bonds issued by credit institutions	79,021	77,840	74,329	73,196
Bonds issued by the Government of Romania quoted	5,636,723	5,411,162	5,489,662	5,232,702
Bonds issued by the Government of Romania unquoted	1,119,551	606,707	1,119,551	606,707
<b>Total investment securities at amortised cost</b>	<b>6,835,295</b>	<b>6,095,709</b>	<b>6,683,542</b>	<b>5,912,605</b>

At 30 June 2021, the Group has one micro hedge relationship and the hedged instrument is a debt security at amortised cost. The carrying amount of the hedged item is RON 32,916 thousand (2020: RON 33,937 thousand).

As at 30 June 2021, bonds issued by the Government of Romania amounting to RON 188,930 (2020: RON 180,355 thousand) are pledged as security in order to comply with National Bank of Romania prudential regulations for settlement of inter-banking operations.

**25. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**
**Subsidiaries, associates and joint ventures**

<i>In RON thousand</i>	Group		Bank	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
<b>Balance at 1 January</b>	<b>29,419</b>	<b>17,780</b>	<b>157,803</b>	<b>175,965</b>
Additions (i)	-	11,900	65,000	26,900
Disposals	-	-	-	(45,062)
Group's share of gain from associates	1,405	(261)	-	-
<b>Total</b>	<b>30,824</b>	<b>29,419</b>	<b>222,803</b>	<b>157,803</b>
Impairment allowance (i)	-	-	(96,404)	(50,637)
<b>Balance at 31 December</b>	<b>30,824</b>	<b>29,419</b>	<b>126,399</b>	<b>107,166</b>

- (i) Following the legal provisions made by Aedificium Banca pentru Locuinte (ABL) as of 31 december 2020 in respect of its litigation with the Romanian Court of Auditors (further detailed in Note 36 Provisions), the result was that ABL was in breach of internal capital adequacy internal limit. On 11 March 2021, the Extraordinary General Shareholders Meeting of the ABL approved the increase of share capital by RON 65 million.

## 26. FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

The table below shows the split of total financial assets mandatorily at fair value through profit or loss as of June 30, 2021.

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2021</b>
Loans and advances to customers	283,055	354,151	283,055	354,151
Debt instruments	42,696	39,696	27,831	24,995
<b>Total</b>	<b>325,751</b>	<b>393,847</b>	<b>310,886</b>	<b>379,146</b>

**Group:** Net gains on non-trading financial assets mandatorily at fair value through profit or loss for the period ended June 30, 2021 are in amount of RON (4,257) thousand (2020: RON 12,928 thousand).

**Bank:** Net gains on non-trading financial assets mandatorily at fair value through profit or loss for the period ended June 30, 2021 are in amount of RON (4,421) thousand (2020: RON 12,956 thousand).

## 27. FAIR VALUE CHANGES OF THE HEDGED ITEMS-HEDGE ACCOUNTING

The Bank applies both micro and macro fair value hedge.

For the micro fair value hedge, the Bank uses as hedging instrument interest rate swaps, while the hedged items are debt securities at amortised cost. The total accumulated amount of fair value adjustments of the hedged item and hedging instrument are disclosed under "Investment securities at amortised cost" position, respectively "Derivatives – hedge accounting position" in the statement of financial position. The net gain resulted from this hedge relationship at 30 June 2021 is RON 25 thousand, while at 30 June 2020 the Bank incurred a loss of RON 20 thousand. The remaining term for the hedging item is more than 5 years (February 2030).

The macro fair value hedge started in 2020 and the Bank uses as hedging instruments four interest rate swaps, while the hedged item is a loan portfolio at amortised cost. The total accumulated amount of fair value adjustments of hedged item and hedging instruments are disclosed under "Fair value changes of the hedged items - hedge accounting", respectively "Derivatives – hedge accounting position" in the statement of financial position. The net gain resulted from this hedge relationship at 30 June 2021 is RON 874 thousand, while at 30 June 2020 the Bank incurred a gain of 130 thousand. The remaining term for the hedging items is less than 5 years.

**27. FAIR VALUE CHANGES OF THE HEDGED ITEMS-HEDGE ACCOUNTING (continued)**

The tables below provide more information regarding the hedged items and hedging instruments:

30 June 2021 <i>In RON thousand</i>	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges*	32,916	-	-	-
Debt securities	<b>32,916</b>	-	-	-
Macro fair value hedges	349,191	-	2,541	-
Loan portfolio measured at amortised cost	<b>349,191</b>	-	<b>2,541</b>	-
<b>Total</b>	<b>382,107</b>	-	<b>2,541</b>	-

\*Accumulated amount of fair value adjustments on the hedged item is RON 3,261 and is presented under "Investment securities at amortised cost" position

**31 December 2020**
*In RON thousand*

	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges				
Debt securities	33,937	-	4,268	-
	<b>33,937</b>		<b>4,268</b>	
Macro fair value hedges				
Loan portfolio measured at amortised cost	379,474	-	6,181	
	<b>379,474</b>		<b>6,181</b>	
<b>Total</b>	<b>413,411</b>	-	<b>10,449</b>	-

<i>In RON thousand</i>	30 June 2021		31 December 2020	
	Notional amount	Liabilities	Notional amount	Liabilities
Micro fair value hedges	29,560	3,461	29,216	4,666
Interest rate swap	<b>29,560</b>	<b>3,461</b>	<b>29,216</b>	<b>4,666</b>
Macro fair value hedges	125,000	11,809	125,000	16,822
Interest rate swaps	<b>125,000</b>	<b>11,809</b>	<b>125,000</b>	<b>16,822</b>
<b>Total</b>	<b>154,560</b>	<b>15,270</b>	<b>154,216</b>	<b>21,488</b>

During the period, the results of the hedge effectiveness assessments showed that the hedge relationships were effective. No situations of hedge ineffectiveness were identified.



**28. OTHER ASSETS**
*In RON thousand*

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Prepayments (i)	97,359	113,101	90,139	107,695
Clearing claims from payment transfer business (ii)	159,448	71,747	159,448	71,747
Sundry debtors (iii)	60,098	56,196	42,449	49,764
Inventories	5,896	4,415	5,855	4,373
Repossessed assets	14,455	23,720	12,975	12,308
<b>Total</b>	<b>337,256</b>	<b>269,179</b>	<b>310,866</b>	<b>245,887</b>

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 the principal 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.

Based on the facts and documents presented to the tax authority concerning certain operations that were the object of the control performed by the tax authority, considering the reclassification/qualifications made by the tax authority, and considering the opinions issued by the tax advisers and by the law firm that represents the bank in a potential litigation against the tax authority, the Bank increased the provision for the tax audit as of June 2021. The Bank recognised as of June 2021 as expense an amount of RON 35,283 thousand, in addition to the amounts of RON 35,283 thousand reflected in 2020 and RON 21,486 thousand reflected in 2019.

The amounts receivable from the tax audit are booked 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 June 30, 2021, the amounts reflected under other assets is RON 53,406 thousand (December 31, 2020: 79,516 thousand), while the amount reflected under income tax receivable is RON 95,569 thousand (December 31, 2020: RON 126,274 thousand).

ii) Clearing claims from payment transfer business include amounts to be settled as of June 30, like: cards transactions of RON 146,662 thousand (2020: RON 64,328 thousand), sales and purchase of cash of RON 55 thousand (2020: RON 0 thousand), Western Union transactions in course of settlement of RON 553 thousand (2020: RON 584 thousand) and others.

iii) Sundry debtors include various receivables such for: services provided by the bank to its customers (such as for cash transportation), advances paid to suppliers, amounts receivables as a result of operational incidents etc.

**Group:** Sundry debtors balance is presented at net book value, respectively gross book value in amount of 108,082 RON thousand (2020: 149,825 RON thousand) decreased with impairment in amount of RON 47,984 thousand (2020: RON 88,691 thousand).

**28. OTHER ASSETS (continued)**

**Bank:** Sundry debtors balance is presented at net book value, respectively gross book value in amount of 90,433 RON thousand (2020: 143,392 RON thousand) decreased with impairment in amount of RON 47,984 thousand (2020: RON 88,691 thousand).

In the tables below is presented the split of other assets to customers by their quality:

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Financial assets	181,478	170,659	163,829	147,409
Non-financial assets	155,778	98,520	147,037	98,478
<b>Total</b>	<b>337,256</b>	<b>269,179</b>	<b>310,866</b>	<b>245,887</b>

*Of which:*

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Current assets	95,597	80,306	77,948	57,056
Impaired assets	85,881	90,353	85,881	90,353
<b>Total</b>	<b>181,478</b>	<b>170,659</b>	<b>163,829</b>	<b>147,409</b>

**29. DEFERRED TAX**

Deferred tax assets of the Group are attributable to the items detailed in the tables below:

<i>In RON thousand</i>	<b>30 June 2021</b>			<b>Deferred tax asset/(liability)</b>
	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>	
Property, plant and equipment and intangible assets	1,443	85,421	(83,978)	(13,436)
Other liabilities	154,724	-	154,724	24,756
Valuation reserve financial assets (AFVOCI)	2,305	51,310	(49,005)	(7,841)
Provisions for liabilities and charges	159,147	-	159,147	25,463
<b>Total</b>	<b>317,619</b>	<b>136,731</b>	<b>180,888</b>	<b>28,942</b>

  

<i>In RON thousand</i>	<b>31 December 2020</b>			<b>Deferred tax asset/(liability)</b>
	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>	
Property, plant and equipment and intangible assets	1,081	61,973	(60,892)	(9,743)
Other liabilities	123,571	-	123,571	19,771
Valuation reserve financial assets (AFVOCI)	4,321	70,909	(66,588)	(10,654)
Provisions for liabilities and charges	170,291	-	170,291	27,247
<b>Total</b>	<b>299,264</b>	<b>132,882</b>	<b>166,382</b>	<b>26,621</b>

**29. DEFERRED TAX (continued)**

Deferred tax assets of the Bank are attributable to the items detailed in the tables below:

	<b>30 June 2021</b>			
	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>	<b>Deferred tax asset/(liability)</b>
<i>In RON thousand</i>				
Property, plant and equipment and intangible assets	1,443	85,421	(83,978)	(13,436)
Other liabilities	154,724	-	154,724	24,756
Valuation reserve financial assets (AFVOCI)	2,305	51,310	(49,005)	(7,841)
Provisions for liabilities and charges	134,654	-	134,654	21,544
<b>Total</b>	<b>293,126</b>	<b>136,731</b>	<b>156,395</b>	<b>25,023</b>

	<b>31 December 2020</b>			
	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>	<b>Deferred tax asset/(liability)</b>
<i>In RON thousand</i>				
Property, plant and equipment and intangible assets	1,081	61,973	(60,892)	(9,743)
Other liabilities	123,571	-	123,571	19,771
Valuation reserve financial assets (AFVOCI)	4,321	70,909	(66,588)	(10,654)
Provisions for liabilities and charges	138,172	-	138,172	22,108
<b>Total</b>	<b>267,145</b>	<b>132,882</b>	<b>134,263</b>	<b>21,482</b>

Expenses and income deferred tax as at June 30, 2021 are attributable to the items detailed in the table below:

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>30 June 2021</b>	<b>30 June 2020</b>
<i>In RON thousand</i>				
Property, plant and equipment and intangible assets	(3,694)	1,357	(3,694)	1,357
Other liabilities	4,975	6,631	4,985	6,667
Provisions for liabilities and charges	(1,783)	(1,092)	(563)	(2,348)
<b>Deferred tax income / (expense)</b>	<b>(502)</b>	<b>6,896</b>	<b>728</b>	<b>5,676</b>

Deferred tax related to items recognised in other comprehensive income during the year is due to unrealised gain/loss on financial assets (AFVOCI).

**30. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS**
**Group**

<i>In RON thousand</i>	<b>Land and buildings</b>	<b>Furniture and computer equipment</b>	<b>Motor vehicles</b>	<b>Assets in progress</b>	<b>Right-of-Use assets Land and buildings</b>	<b>Total</b>
<b>Cost:</b>						
<b>Balance at 1 January 2020</b>	<b>201,782</b>	<b>422,884</b>	<b>37,318</b>	<b>35,956</b>	<b>442,432</b>	<b>1,140,372</b>
Additions	-	14,977	1,727	58,281	76,916	151,901
Transfers	8,435	47,587	3,605	(59,627)	-	-
Disposals	(12,522)	(54,202)	(4,273)	-	(13,086)	(84,083)
<b>Balance at 31 December 2020</b>	<b>197,695</b>	<b>431,246</b>	<b>38,377</b>	<b>34,610</b>	<b>506,262</b>	<b>1,208,190</b>
<b>Balance at 1 January 2021</b>	<b>197,695</b>	<b>431,246</b>	<b>38,377</b>	<b>34,610</b>	<b>506,262</b>	<b>1,208,190</b>
Additions	3,958	8,735	593	-	12,465	25,751
Transfers	-	9,916	-	(9,915)	-	1
Disposals	(5,586)	(8,662)	(1,523)	-	(9,842)	(25,613)
<b>Balance at 30 June 2021</b>	<b>196,067</b>	<b>441,235</b>	<b>37,447</b>	<b>24,695</b>	<b>508,885</b>	<b>1,208,329</b>
<b>Depreciation and impairment losses:</b>						
<b>Balance at 1 January 2020</b>	<b>159,480</b>	<b>273,912</b>	<b>25,412</b>	<b>0</b>	<b>92,998</b>	<b>551,802</b>
Charge for the year	9,934	47,638	5,750	3,767	92,405	159,494
Disposals	(12,084)	(46,968)	(4,161)	-	(5,672)	(68,885)
<b>Balance at 31 December 2020</b>	<b>157,330</b>	<b>274,582</b>	<b>27,001</b>	<b>3,767</b>	<b>179,731</b>	<b>642,411</b>
<b>Balance at 1 January 2021</b>	<b>157,330</b>	<b>274,582</b>	<b>27,001</b>	<b>3,767</b>	<b>179,731</b>	<b>642,411</b>
Charge for the year	5,083	29,408	2,428	(254)	45,410	82,075
Disposals	(4,995)	(7,735)	(1,415)	-	(13,254)	(27,399)
<b>Balance at 30 June 2021</b>	<b>157,418</b>	<b>296,255</b>	<b>28,014</b>	<b>3,513</b>	<b>211,887</b>	<b>697,087</b>
<b>Carrying amounts:</b>						
<b>At 1 January 2020</b>	<b>42,302</b>	<b>148,972</b>	<b>11,906</b>	<b>35,956</b>	<b>349,434</b>	<b>588,570</b>
<b>At 31 December 2020</b>	<b>40,365</b>	<b>156,664</b>	<b>11,376</b>	<b>30,843</b>	<b>326,531</b>	<b>565,779</b>
<b>At 1 January 2021</b>	<b>40,365</b>	<b>156,664</b>	<b>11,376</b>	<b>30,843</b>	<b>326,531</b>	<b>565,779</b>
<b>At 30 June 2021</b>	<b>38,649</b>	<b>144,980</b>	<b>9,433</b>	<b>21,182</b>	<b>296,998</b>	<b>511,242</b>

Under "Assets in progress" category, the Group includes investments in branch redesign, technological equipment, vehicles and furniture, which are not yet put in function.

**30. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)**
**Bank**

*In RON thousand*

	Land and buildings	Furniture and computer equipment	Motor vehicles	Assets in progress	Right-of-Use assets Land and buildings	Total
<b>Cost:</b>						
<b>Balance at 1 January 2020</b>	201,760	423,317	34,956	32,098	442,432	1,134,563
Additions	-	13,958	1,252	58,281	76,916	150,407
Transfers	8,435	47,587	3,605	(59,627)	-	-
Disposals	(12,522)	(53,077)	(3,816)	-	(13,086)	(82,501)
<b>Balance at 31 December 2020</b>	<b>197,673</b>	<b>431,785</b>	<b>35,997</b>	<b>30,752</b>	<b>506,262</b>	<b>1,202,469</b>
<b>Balance at 1 January 2021</b>	<b>197,673</b>	<b>431,785</b>	<b>35,997</b>	<b>30,752</b>	<b>506,262</b>	<b>1,202,469</b>
Additions	3,956	8,634	593	1	12,465	25,649
Transfers	-	9,916	-	(9,916)	-	-
Disposals	(5,586)	(8,671)	(1,523)	-	(9,842)	(25,622)
<b>Balance at 30 June 2021</b>	<b>196,043</b>	<b>441,664</b>	<b>35,067</b>	<b>20,837</b>	<b>508,885</b>	<b>1,202,496</b>
<b>Depreciation and impairment losses:</b>						
<b>Balance at 1 January 2020</b>	159,395	272,803	23,121	-	92,998	548,317
Charge for the year	9,934	47,164	5,135	3,767	91,659	157,659
Disposals	(12,084)	(46,316)	(3,780)	-	(4,926)	(67,106)
<b>Balance at 31 December 2020</b>	<b>157,245</b>	<b>273,651</b>	<b>24,476</b>	<b>3,767</b>	<b>179,731</b>	<b>638,870</b>
<b>Balance at 1 January 2021</b>	<b>157,245</b>	<b>273,651</b>	<b>24,476</b>	<b>3,767</b>	<b>179,731</b>	<b>638,870</b>
Charge for the year	5,457	29,194	2,141	(254)	44,664	81,202
Disposals	(5,309)	(7,742)	(1,415)	-	(12,564)	(27,030)
<b>Balance at 30 June 2021</b>	<b>157,393</b>	<b>295,103</b>	<b>25,202</b>	<b>3,513</b>	<b>211,831</b>	<b>693,042</b>
<b>Carrying amounts:</b>						
<b>At 1 January 2020</b>	42,365	150,514	11,835	32,098	349,434	586,246
<b>At 31 December 2020</b>	40,428	158,134	11,521	26,985	326,531	563,599
<b>At 1 January 2021</b>	40,428	158,134	11,521	26,985	326,531	563,599
<b>At 30 June 2021</b>	38,650	146,561	9,865	17,324	297,054	509,454

**Group:** Purchases of property, plant and equipment during year 2021 were in amount of RON 13,286 thousand (2020: RON 74,985 thousand).

**Bank:** Purchases of property, plant and equipment during year 2021 were in amount of RON 13,184 thousand (2020: RON 73,491 thousand).

**31. INTANGIBLE ASSETS**
**Group**
*In RON thousand*

	<b>Purchased Software</b>	<b>Assets in progress</b>	<b>Total</b>
<b>Cost:</b>			
<b>Balance at 1 January 2020</b>	<b>595,618</b>	<b>100,449</b>	<b>696,067</b>
Additions	1,314	141,828	143,142
Transfers	108,625	(108,625)	-
Disposals	(4,249)	(156)	(4,405)
<b>Balance at 31 December 2020</b>	<b>701,308</b>	<b>133,496</b>	<b>834,804</b>
<b>Balance at 1 January 2021</b>	<b>701,308</b>	<b>133,496</b>	<b>834,804</b>
Additions	(60)	43,717	43,657
Transfers	77,481	(77,482)	(1)
Disposals	(13)	-	(13)
<b>Balance at 30 June 2021</b>	<b>778,716</b>	<b>99,731</b>	<b>878,447</b>
<b>Amortization and impairment losses:</b>			
<b>Balance at 1 January 2020</b>	<b>462,555</b>	-	<b>462,555</b>
Charge for the year	72,342	-	72,342
Disposals	(4,249)	-	(4,249)
<b>Balance at 31 December 2020</b>	<b>530,648</b>	-	<b>530,648</b>
<b>Balance at 1 January 2021</b>	<b>530,648</b>	-	<b>530,648</b>
Charge for the year	29,391	-	29,391
Disposals	(13)	-	(13)
<b>Balance at 30 June 2021</b>	<b>560,026</b>	-	<b>560,026</b>
<b>Carrying amounts:</b>			
<b>At 1 January 2020</b>	<b>133,063</b>	<b>100,449</b>	<b>233,512</b>
<b>At 31 December 2020</b>	<b>170,660</b>	<b>133,496</b>	<b>304,156</b>
<b>At 1 January 2021</b>	<b>170,660</b>	<b>133,496</b>	<b>304,156</b>
<b>At 30 June 2021</b>	<b>218,690</b>	<b>99,731</b>	<b>318,421</b>

The increase in intangible assets in progress is a result of the Group's strategy to continue digitalization, in order to deliver fast, easy-to-use and increasingly digitalized services to the customers.

**31. INTANGIBLE ASSETS (continued)**
**Bank**
*In RON thousand*

	<b>Purchased Software</b>	<b>Assets in progress</b>	<b>Total</b>
<b>Cost:</b>			
<b>Balance at 1 January 2020</b>	<b>593,152</b>	<b>99,743</b>	<b>692,895</b>
Additions	-	141,499	141,499
Transfers	108,625	(108,625)	-
Disposals	(4,249)	-	(4,249)
<b>Balance at 31 December 2020</b>	<b>697,528</b>	<b>132,617</b>	<b>830,145</b>
<b>Balance at 1 January 2021</b>	<b>697,528</b>	<b>132,617</b>	<b>830,145</b>
Additions	-	43,713	43,713
Transfers	77,481	(77,482)	(1)
Disposals	(13)	-	(13)
<b>Balance at 30 June 2021</b>	<b>774,996</b>	<b>98,848</b>	<b>873,844</b>
<b>Amortization and impairment losses:</b>			
<b>Balance at 1 January 2020</b>	<b>462,755</b>	-	<b>462,755</b>
Charge for the year	71,175	-	71,175
Disposals	(4,249)	-	(4,249)
<b>Balance at 31 December 2020</b>	<b>529,681</b>	-	<b>529,681</b>
<b>Balance at 1 January 2021</b>	<b>529,681</b>	-	<b>529,681</b>
Charge for the year	28,898	-	28,898
Disposals	(13)	-	(13)
<b>Balance at 30 June 2021</b>	<b>558,566</b>	-	<b>558,566</b>
<b>Carrying amounts:</b>			
<b>At 1 January 2020</b>	<b>130,397</b>	<b>99,743</b>	<b>230,140</b>
<b>At 31 December 2020</b>	<b>167,847</b>	<b>132,617</b>	<b>300,464</b>
<b>At 1 January 2021</b>	<b>167,847</b>	<b>132,617</b>	<b>300,464</b>
<b>At 30 June 2021</b>	<b>216,430</b>	<b>98,848</b>	<b>315,278</b>

**Group:** Purchases of intangible assets during year 2021 were in amount of RON 43,657 thousand (2020: RON 143,142 thousand).

**Bank:** Purchases of intangible assets during year 2021 were in amount of RON 43,713 thousand (2020: RON 141,499 thousand).

**32. DEPOSITS FROM BANKS**

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Payable on demand	483,856	337,954	483,856	337,954
Sight deposits	37,000	-	37,000	-
Term deposits	9,757	509	9,757	509
<b>Total</b>	<b>530,613</b>	<b>338,463</b>	<b>530,613</b>	<b>338,463</b>

**33. DEPOSITS FROM CUSTOMERS**

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
<i>Payable on demand</i>				
Retail customers	24,555,795	23,362,866	24,424,296	23,173,098
Non-retail customers	8,333,357	8,941,069	8,356,566	8,972,732
	<b>32,889,152</b>	<b>32,303,935</b>	<b>32,780,862</b>	<b>32,145,830</b>
<i>Term deposits</i>				
Retail customers	8,969,375	8,863,845	8,969,375	8,863,845
Non-retail customers	2,494,774	2,385,186	2,494,774	2,385,186
	<b>11,464,149</b>	<b>11,249,031</b>	<b>11,464,149</b>	<b>11,249,031</b>
<i>Savings accounts</i>				
Retail customers	64	67	64	67
	<b>64</b>	<b>67</b>	<b>64</b>	<b>67</b>
<b>Total</b>	<b>44,353,365</b>	<b>43,553,033</b>	<b>44,245,075</b>	<b>43,394,928</b>

**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:

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Senior loans from banks and financial institutions	348,290	432,178	12,578	17,657
<i>Of which unsecured:</i>	<i>84,489</i>	<i>139,692</i>	-	-
Debt securities issued	2,090,018	480,092	2,090,018	480,092
Subordinated liabilities	421,248	416,326	421,248	416,326
<b>Total</b>	<b>2,859,556</b>	<b>1,328,596</b>	<b>2,523,844</b>	<b>914,075</b>

(i) Senior loans from banks and financial institutions are detailed in the table from below:

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Commercial banks	84,489	139,691	-	-
Multilateral Development Banks	251,223	274,830	-	-
Other financial institutions	12,578	17,657	12,578	17,657
<b>Total loans from banks and financial institutions</b>	<b>348,290</b>	<b>432,178</b>	<b>12,578</b>	<b>17,657</b>



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**34. TOTAL LONG TERM DEBT (continued)**

The loans received from banks and other financial institutions are denominated in EUR and RON, with a final maturity which varies between August 2021 and May 2026.

The Group takes all the necessary measures in order to ensure compliance with the financial covenants that may be attached to the loans received from banks and other financial institutions. Consequently, there have been no breaches in the financial covenants of any loans from banks and other financial institutions in the analyzed period.

Senior debt has greater seniority in the Bank's liabilities structure than subordinated debt and regulatory capital instruments as regulated by applicable insolvency law.

As of June 30, 2021, the Group has commitments received from credit institutions in amount of EUR 50.000 thousand (December 31, 2020: EUR 50.000 thousand).

As of June 30, 2021, the Bank has commitments received from credit institutions in amount of EUR 50.000 thousand (December 31, 2020: EUR 50.000 thousand).

**(ii) Debt securities issued**

**Group:** The balance of debt securities issued as at June 30, 2021, including accrued interest, is in amount of RON 2,090,018 thousand (December 31, 2020: RON 480,092 thousand).

**Bank:** The balance of debt securities issued as at June 30, 2021, including accrued interest, is in amount of RON 2,090,018 thousand (December 31, 2020: RON 480,092 thousand).

In December 2019, the Bank issued unsecured, subordinated RON-denominated bonds in nominal amount of RON 480,000 thousand that qualify as Tier 2 instruments. The instruments bear variable rate and have maturity on 19 December 2029. Initially the bonds were subscribed by private investors through a private placement process. According to the terms and conditions of the issuance, the bonds were admitted to trading on the Regulated Spot Market of the Bucharest Stock Exchange on 14th of May 2020, under ISIN code: ROJX86UZW1R4.

On 14 May 2021 the Bank issued its inaugural Senior Preferred (SP) RON-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).

**34. TOTAL LONG TERM DEBT (continued)**

## (iii) Subordinated liabilities

The balance of subordinated liabilities as at June 30, 2021, in RON equivalents, including accrued interest is RON 421,248 thousand (December 31, 2020: RON 416,326 thousand).

All subordinated loans are granted by Raiffeisen Bank International A.G.

The below tables show the split of total long term debt by contractual maturities as of June 30, 2021:

<b>Group</b>	<b>Less than 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
<i>In RON thousand</i>			
Senior loans from banks and financial institutions	33,183	315,107	348,290
<i>Of which unsecured</i>	<i>26,941</i>	<i>57,548</i>	<i>84,489</i>
Debt securities issued	1,943	2,088,075	2,090,018
Subordinated liabilities	101,012	320,236	421,248
<b>Total</b>	<b>136,138</b>	<b>2,723,418</b>	<b>2,859,556</b>
<b>Bank</b>			
	<b>Less than 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
<i>In RON thousand</i>			
Senior loans from banks and financial institutions	6,242	6,336	12,578
<i>Of which unsecured</i>	<i>-</i>	<i>-</i>	<i>-</i>
Debt securities issued	1,943	2,088,075	2,090,018
Subordinated liabilities	101,012	320,236	421,248
<b>Total</b>	<b>109,197</b>	<b>2,414,647</b>	<b>2,523,844</b>

The below tables show the split of total long term debt by contractual maturities as of December 31, 2020:

<b>Group</b>	<b>Less than 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
<i>In RON thousand</i>			
Senior loans from banks and financial institutions	44,983	387,195	432,178
<i>Of which unsecured</i>	<i>36,231</i>	<i>103,461</i>	<i>139,692</i>
Debt securities issued	-	480,092	480,092
Subordinated liabilities	99,815	316,511	416,326
<b>Total</b>	<b>144,798</b>	<b>1,183,798</b>	<b>1,328,596</b>
<b>Bank</b>			
	<b>Less than 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
<i>In RON thousand</i>			
Senior loans from banks and financial institutions	8,752	8,905	17,657
<i>Of which unsecured</i>	<i>-</i>	<i>-</i>	<i>-</i>
Debt securities issued	-	480,092	480,092
Subordinated liabilities	99,815	316,511	416,326
<b>Total</b>	<b>108,567</b>	<b>805,508</b>	<b>914,075</b>

**35. OTHER LIABILITIES**

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Lease liability	307,593	335,493	307,593	335,493
Amounts due to state budget for social security	20,324	35,317	19,760	34,297
Short-term employee benefits	43,613	43,126	43,613	43,126
Accrual for suppliers	120,955	109,311	120,394	109,059
Cash in transit (i)	452,479	119,588	452,479	119,588
Deferred income	30,941	39,611	30,941	39,611
Other liabilities(ii)	205,228	230,365	199,919	220,317
<b>Total</b>	<b>1,181,133</b>	<b>912,811</b>	<b>1,174,699</b>	<b>901,491</b>

- i) Cash in transit includes payments which should be settled with other banks of RON 336,565 thousand (2020: RON 83,566 thousand) and receipts which should be settled with current accounts RON 116,115 thousand (2020: RON 36,699 thousand).
- ii) Other liabilities include credit cards of RON 37,628 thousand (2020: RON 43,368 thousand), liabilities due to customers of RON 103,166 thousand (2020: 119,044 thousand RON), deposits representing the share capital at companies in course of set-up of RON 15,507 thousand (2020: RON 21,227 thousand) and receivable from guarantees received of RON 11,193 thousand (2020: RON 7,619 thousand).

**36. PROVISIONS**

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Provisions for litigations and potential risks (i)	200,358	201,711	108,455	144,703
Provision for un-drawn commitments (ii)	90,400	102,803	89,605	102,521
Provision for employee benefits (iii)	27,985	3,622	27,678	3,341
Provisions for overue vacations	20,514	12,520	19,701	12,470
Provisions for severance payments and similar obligations	24,418	32,310	24,418	32,310
Sundry provisions	1,809	1,863	1,012	1,007
<b>Total</b>	<b>365,484</b>	<b>354,829</b>	<b>270,869</b>	<b>296,352</b>

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 June 30, 2021, the provisions related to individual consumer loan litigations amounted to 13,575 RON thousand (December 31, 2020: RON 11,863 thousand). They are due to contractual clauses that may generate losses because they are considered unfair by customers. The existing provisions are both for ongoing litigations and for potential ones (which might result in litigations in the future).

**36. PROVISIONS (continued)**

- b. Order no 837 dated October 20, 2017 received from the National Authority for Consumer Protection

As of 20 October 2017, the Bank received from National Authority for Consumer Protection (further called „ANPC”) an order (no. 837) which requires the cancellation of an alleged incorrect practice of non-informing the customers about the future interest evolution upon loan origination. In addition to a RON 50,000 fine, the Bank is required to bring the contracts to the situation before the illegal practice, including the issue of a new reimbursement plan, with the conditions applicable on signing date. This is in contradiction with the effects of an order aimed at stopping a practice which has effects in the future and is not an action in cancellation which would have been retrospective. At the date of these financial statements, the Order is definitively suspended and a litigation regarding its validity is ongoing. In the first instance, the Bank lost the litigation with ANPC. Still, the Bank has initiated the appeal at the High Court of Cassation and Justice, with first hearing on December 7, 2021. The decision of the first instance has no legal effect, taking into consideration that the Order is suspended until an irrevocably decision is made in this file. For this legal dispute, the Bank calculated a provision based on all possible scenarios, which are weighed with probabilities in order to obtain the best estimated expected loss. The value of this provision, as of June 30, 2021, is RON 69,198 thousand (December 31, 2020: 68,971 thousand) and has been made as a result of losing the litigation in the first instance.

- c. Order 280 dated July 9, 2014, received from the National Authority for Consumer Protection

On February 6th, 2020, the High Court of Cassation and Justice has solved the appeal filed by Raiffeisen Bank SA against the National Authority for Consumer Protection in the file no. 988/2/2015, by rejecting it.

The subject matter of the file is the annulment of the administrative act, respectively of the Decision 280/2014 issued by the ANPC with reference to the restructuring method by including the management fee in the interest margin.

In July 2014, the ANCP had issued a decision applicable to Raiffeisen Bank S.A., asking the bank to stop the practice of including the credit management commission in the interest margin on the occasion of the restructuring of consumer loans. Although provisions describing that method were included in the respective agreements, in the authority's opinion those provisions were not clear enough. Following the High Court of Cassation and Justice decision in the file no. 988/2/2015, and based on an external legal opinion, the Bank is in process of implementing the Order. The provision booked in this respect, as of June 30, 2021, is in amount of RON 16,667 thousand (December 31, 2020: 16,667).

- d. The litigation between Aedificium Banca pentru Locuinte S.A. and the Romanian Court of Auditors

Following an audit review of the Romanian Court of Auditors regarding the activity of Aedificium Banca pentru Locuinte S.A. (further called “ABL”), finalised in 2016, the Romanian Court of Auditors claimed that several deficiencies were identified and that conditions for state premiums on savings have not been met. Thus, such premiums may have to be repaid. Should ABL not succeed in reclaiming said amounts from its customers or providing satisfactory documentation, ABL would be liable for the payment of such funds. ABL has initiated a contestation process against the position of the Romanian Court of Auditors. The High Court of Cassation and Justice of Romania has definitively ruled in the file, rejecting the Bank's appeal and partially annulling the Decision of the Court of Accounts. Another decision is being expected, related to the exception of unconstitutionality, which was invoked by ABL and sent by the High Court of Cassation and Justice of Romania to the Constitutional Court (in the High Court's opinion the exception invoked by ABL should be admitted). ABL may not be able to receive reimbursement of such funds from its customers due to legal and practical reasons.

**36. PROVISIONS (continued)**

Given current uncertainties, as of June 30, 2021, the Group maintained the provision of RON 91,597 thousand (December 31, 2020: RON 91,597 thousand), which represent the possible outcomes of different scenarios (regarding the repayment of premiums and related penalties), weighted by their associated probabilities. In its separate financial statements, the loss booked by the Bank is reflected as provision for its equity investment in ABL of RON 57,938 thousand (December 31, 2020: RON 12,466 thousand), and a write-off of the participation in amount of RON 45,015 thousand (December 31, 2020: RON 45,015 thousand). During 2021, after the share capital increase in ABL, the existing litigation provision of RON 36,627 thousand was reversed, the reversal being compensated by the increase in the provision for the equity investment.

ii) For off balance sheet commitments, provisions are calculated by multiplying net exposure (gross exposure minus collateral value) with historical loss rates specific for each risk category, further adjusted with the credit conversion factor. The credit conversion factor represents the Bank's expectations of the respective loan commitment to become a balance sheet exposure over its expected life.

iii) The provision for employee benefits is the Group's one off obligation to offer a number of salaries depending on the service period. The Group has calculated provision for contributions granted to employees on retirement as at year end 2020 using indicators such as: remaining number of years with the company up to retirement, probability that employee will stay with the company up to retirement, current salary, average number of salaries paid as benefit at retirement, age, sex, expected age of retirement as per current legislation. Statistical assumptions used in provision computation in 2021 are consistent with those at year end 2020, revised as per current year available information. During 2021 the Bank had reviewed and indexed the main reference indicators with the most recent available market values.

**36. PROVISIONS (continued)**

During 2021 the provisions can be further analyzed as follows:

**Group**

<i>In RON thousand</i>	<b>Opening Balance</b>	<b>Allocation</b>	<b>Release</b>	<b>FX difference</b>	<b>Closing balance</b>
Provisions for litigations and potential risks (i)	201,711	4,498	(4,498)	(1,353)	200,358
Provision for un-drawn commitments	102,803	-	(12,827)	424	90,400
Provisions for employee benefits	3,622	24,363	-	-	27,985
Provisions for overdue vacations	12,520	7,994	-	-	20,514
Provisions for severance payments and similar obligations	32,310	24,418	(32,310)	-	24,418
Sundry provisions	1,863	5	(59)	-	1,809
<b>TOTAL</b>	<b>354,829</b>	<b>61,278</b>	<b>(49,694)</b>	<b>(929)</b>	<b>365,484</b>

During 2020 the provisions can be further analyzed as follows:

<i>In RON thousand</i>	<b>Opening Balance</b>	<b>Allocation</b>	<b>Release</b>	<b>FX difference</b>	<b>Closing balance</b>
Provisions for litigations and potential risks (i)	143,268	61,993	(4,884)	1,334	201,711
Provision for un-drawn commitments	77,415	25,068	-	320	102,803
Provisions for employee benefits	3,609	13	-	-	3,622
Provisions for overdue vacations	12,470	50	-	-	12,520
Provisions for severance payments and similar obligations	665	32,310	(665)	-	32,310
Sundry provisions	2,350	-	(487)	-	1,863
<b>TOTAL</b>	<b>239,777</b>	<b>119,434</b>	<b>(6,036)</b>	<b>1,654</b>	<b>354,829</b>

**Bank**

During 2021 the provisions can be further analyzed as follows:

<i>In RON thousand</i>	<b>Opening balance</b>	<b>Allocation</b>	<b>Release</b>	<b>FX difference</b>	<b>Closing balance</b>
Provisions for litigations and potential risks	144,703	4,580	(39,393)	(1,435)	108,455
Provision for un-drawn commitments	102,521	-	(13,340)	424	89,605
Provisions for employee benefits	3,341	24,337	-	-	27,678
Provisions for overdue vacations	12,470	7,231	-	-	19,701
Provisions for severance payments and similar obligations	32,310	24,418	(32,310)	-	24,418
Sundry provisions	1,007	5	-	-	1,012
<b>TOTAL</b>	<b>296,352</b>	<b>60,571</b>	<b>(85,043)</b>	<b>(1,011)</b>	<b>270,869</b>

During 2020 the provisions can be further analyzed as follows:

<i>In RON thousand</i>	<b>Opening balance</b>	<b>Allocation</b>	<b>Release</b>	<b>FX difference</b>	<b>Closing balance</b>
Provisions for litigations and potential risks	94,017	54,236	(4,884)	1,334	144,703
Provision for un-drawn commitments	77,096	25,105	-	320	102,521
Provisions for employee benefits	3,372	-	(31)	-	3,341
Provisions for overdue vacations	12,470	-	-	-	12,470
Provisions for severance payments and similar obligations	665	32,310	(665)	-	32,310
Sundry provisions	904	-	103	-	1,007
<b>TOTAL</b>	<b>188,524</b>	<b>111,651</b>	<b>(5,477)</b>	<b>1,654</b>	<b>296,352</b>

**37. SHARE CAPITAL**
**Share capital**

As of June 30, 2021 the number of shares is 12,000 and there were no changes in shares structure.

Share capital in amount of RON 1.2 bln consists in 12,000 shares with a nominal value of RON 100,000/share.

During 2021, Raiffeisen Bank S.A paid dividends to its shareholders in amount of 48,000 thousand RON which represents a dividend of RON 4,000 /share (2020: RON 0).

**37. SHARE CAPITAL (continued)**

The shareholders of the Group are as follows:

	<b>30 June 2021</b>	<b>31 December 2020</b>
	%	%
Raiffeisen SEE Region Holding GmbH	99.925	99.925
Other shareholders	0.075	0.075
<b>Total</b>	<b>100</b>	<b>100</b>

**38. OTHER EQUITY INSTRUMENTS**

Other equity instruments are comprised of subordinated unsecured instruments notes issued by the Group that are classified as equity instruments in accordance to IAS 32 "Financial Instruments: Presentation". The instruments meet the criteria for inclusion in Group Tier 1 own funds, as they qualify as Additional Tier 1 instruments, as defined by Regulation (EU) No. 575/2013 (CRR), article 52. They are perpetual instruments, with no maturity, while the issuer's reimbursement is limited and subject to supervisory approval.

Although the notes include a coupon rate, this is fully discretionary and is paid out of the distributable profits. In case the Group's CET 1 Capital Ratio is below a certain threshold, this might trigger full or partial write-down of the notes. The write-down is temporary and can be followed by a write-up, which is at the sole discretion of the issuer and compliance with applicable supervisory regulations.

The total issue of the notes amounts to EUR 50 million and have been purchased by Raiffeisen Bank International A.G. (please refer to *note 40 Related party transactions*).

During 2021, Raiffeisen Bank S.A paid coupon in amount of 18,808 thousand RON (2020: RON 0).

**39. OTHER RESERVES**

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Statutory reserve (i)	242,128	242,128	240,000	240,000
Fair value loss taken to equity (net of tax), investments securities FVOCI	39,359	54,318	40,815	55,585
<b>Total</b>	<b>281,487</b>	<b>296,446</b>	<b>280,815</b>	<b>295,585</b>

The table below presents the fair value reserve for financial assets FVOCI:

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>At 1 January</b>	<b>54,318</b>	<b>37,974</b>	<b>55,585</b>	<b>39,688</b>
Change in fair value reserve (for financial assets FVOCI)	(14,959)	46,236	(14,770)	45,789
Reclassification of the valuation reserve of financial assets	-	(29,892)	-	(29,892)
<b>At 31 December</b>	<b>39,359</b>	<b>54,318</b>	<b>40,815</b>	<b>55,585</b>

**40. RELATED PARTY TRANSACTIONS**

The Group entered into a number of banking transactions with Raiffeisen Bank International AG, the ultimate controlling party, and its subsidiaries in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rate.

The transactions and balances with related parties are presented in tables below:

**Group**

	30 June 2021						Total
	Ultimate controlling entity	Subsidiaries	Associates	Joint ventures	Key Personnel	Other interest	
<i>In RON thousand</i>							
Trading assets	4,052	-	-	-	-	-	4,052
Derivative assets held for risk management	5,750	-	-	-	-	-	5,750
Loans and advances to banks at amortised cost	1,441,508	-	-	-	-	628,474	2,069,982
Investment in subsidiaries, associates and joint ventures	-	-	14,987	-	-	-	14,987
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	49,328	49,328
Loans and advances to customers at amortised cost	-	-	-	-	3,824	225,683	229,507
Other assets	25	-	-	-	-	3,398	3,423
<b>Outstanding assets</b>	<b>1,451,335</b>		<b>14,987</b>		<b>3,824</b>	<b>906,883</b>	<b>2,377,029</b>
Derivative liabilities held for risk management	4,982	-	-	-	-	-	4,982
Derivatives – Hedge accounting	15,270	-	-	-	-	-	15,270
Trading liabilities	2,091	-	-	-	-	-	2,091
Deposits from banks	25,893	-	-	-	-	5,548	31,441
Deposits from customers	-	-	115	-	13,874	123,937	137,926
Debt securities issued	-	-	-	-	-	-	-
Subordinated liabilities	421,248	-	-	-	-	-	421,248
Other equity instruments	238,599	-	-	-	-	-	238,599
Other liabilities	28,281	-	3,992	-	-	2,202	34,475
<b>Outstanding liabilities</b>	<b>736,364</b>		<b>4,107</b>		<b>13,874</b>	<b>131,687</b>	<b>886,032</b>
Commitments given	-	-	25,000	-	-	80,951	105,951
Guarantees issued	68,716	-	-	-	-	35,762	104,478
Commitments received	246,335	-	-	-	-	-	246,335
Guarantees received	68,696	-	-	-	-	45,145	113,841
Notional amount of derivative instruments	2,311,274	-	-	-	-	-	2,311,274



**40. RELATED PARTY TRANSACTIONS (continued)**

<i>In RON thousand</i>	31 December 2020					Total
	Ultimate controlling entity	Associates	Joint ventures	Key Personnel	Other interest	
Trading assets	883	-	-	-	-	883
Derivative assets held for risk management	729	-	-	-	-	729
Loans and advances to banks at amortised cost	48,266	-	-	-	243	48,509
Investment in subsidiaries, associates and joint ventures	-	15,545	-	-	-	15,545
Equity instruments at fair value through other comprehensive income	-	-	-	-	44,989	44,989
Loans and advances to customers at amortised cost	-	-	-	7,368	227,457	234,825
Other assets	90	123	-	-	3,674	3,887
<b>Outstanding assets</b>	<b>49,968</b>	<b>15,668</b>	<b>-</b>	<b>7,368</b>	<b>276,363</b>	<b>349,367</b>
Derivative liabilities held for risk management	15,971	-	-	-	-	15,971
Derivatives – Hedge accounting	21,488	-	-	-	-	21,488
Trading liabilities	12,618	-	-	-	-	12,618
Deposits from banks	12,832	-	-	-	2,747	15,579
Deposits from customers	-	10	-	-	36,194	36,204
Subordinated liabilities	416,326	-	-	-	-	416,326
Other equity instruments	238,575	-	-	-	-	238,575
Other liabilities	17,677	-	-	-	3,795	21,472
<b>Outstanding liabilities</b>	<b>735,487</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>42,736</b>	<b>778,233</b>
Guarantees issued	41,344	-	-	-	9,763	51,107
Commitments received	243,470	-	-	-	-	243,470
Guarantees received	124,633	-	-	-	52,676	177,309
Notional amount of derivative instruments	2,200,005	-	-	-	-	2,200,005

**40. RELATED PARTY TRANSACTIONS (continued)**
**Bank**

<i>In RON thousand</i>	30 June 2021						Total
	Ultimate controlling entity	Subsidiaries	Associates	Joint ventures	Key Personnel	Other interest	
Trading assets	4,052	-	-	-	-	-	4,052
Derivative assets held for risk management	5,750	-	-	-	-	-	5,750
Loans and advances to banks at amortised cost	1,441,508	12,002	-	-	-	628,474	2,081,984
Investment in subsidiaries, associates and joint ventures	-	111,412	14,987	-	-	-	126,399
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	49,328	49,328
Loans and advances to customers at amortised cost	-	600,246	-	-	3,824	225,683	829,753
Other assets	25	2,782	-	-	-	3,398	6,205
<b>Outstanding assets</b>	<b>1,451,335</b>	<b>726,442</b>	<b>14,987</b>	<b>-</b>	<b>3,824</b>	<b>906,883</b>	<b>3,103,471</b>
Derivative liabilities held for risk management	4,982	-	-	-	-	-	4,982
Derivatives – Hedge accounting	15,270	-	-	-	-	-	15,270
Trading liabilities	2,091	-	-	-	-	-	2,091
Deposits from banks	25,893	122	-	-	-	5,548	31,563
Deposits from customers	-	38,643	115	-	13,874	123,937	176,569
Debt securities issued	-	-	-	-	-	-	-
Subordinated liabilities	421,248	-	-	-	-	-	421,248
Other equity instruments	238,599	-	-	-	-	-	238,599
Other liabilities	28,281	-	3,992	-	-	2,202	34,475
<b>Outstanding liabilities</b>	<b>736,364</b>	<b>38,765</b>	<b>4,107</b>	<b>-</b>	<b>13,874</b>	<b>131,687</b>	<b>924,797</b>
Commitments given	-	103,579	25,000	-	-	80,951	209,530
Guarantees issued	68,716	-	-	-	-	35,762	104,478
Commitments received	246,335	-	-	-	-	-	246,335
Guarantees received	68,696	-	-	-	-	45,145	113,841
Notional amount of derivative instruments	2,311,274	-	-	-	-	-	2,311,274

**40. RELATED PARTY TRANSACTIONS (continued)**

<i>In RON thousand</i>	31 December 2020						Total
	Ultimate controlling entity	Subsidiaries	Associates	Joint ventures	Key Personnel	Other interest	
Trading assets	883	-	-	-	-	-	883
Derivative assets held for risk management	729						729
Loans and advances to banks at amortised cost	48,266	12,002	-	-	-	243	60,511
Investment in subsidiaries, associates and joint ventures	-	91,884	15,283	-	-		107,167
Equity instruments at fair value through other comprehensive income						44,989	44,989
Loans and advances to customers at amortised cost	-	487,526	-	-	7,368	227,457	722,351
Other assets	90	5,245	123	-	-	3,674	9,132
<b>Outstanding assets</b>	<b>49,968</b>	<b>596,657</b>	<b>15,406</b>	<b>-</b>	<b>7,368</b>	<b>276,363</b>	<b>945,762</b>
Derivative liabilities held for risk management	15,971	-	-	-	-	-	15,971
Derivatives – Hedge accounting	21,488						21,488
Trading liabilities	12,618						12,618
Deposits from banks	12,832	109	-	-	-	2,747	15,688
Deposits from customers	-	44,358	10	-	-	36,194	80,562
Debt securities issued	-	-	-	-	-	-	-
Subordinated liabilities	416,326	-	-	-	-	-	416,326
Other equity instruments	238,575	-	-	-	-	-	238,575
Other liabilities	17,677	-	-	-	-	3,795	21,472
<b>Outstanding liabilities</b>	<b>735,487</b>	<b>44,467</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>42,736</b>	<b>822,700</b>
Commitments given	-	109,127	-	-	-	-	109,127
Guarantees issued	41,344	-	-	-	-	9,763	51,107
Commitments received	243,470	-	-	-	-	-	243,470
Guarantees received	124,633	-	-	-	-	52,676	177,309
Notional amount of derivative instruments	2,200,005	-	-	-	-	-	2,200,005

**40. RELATED PARTY TRANSACTIONS (continued)**
**Group**

<i>In RON thousand</i>	<b>30 June 2021</b>				<b>Total</b>
	<b>Ultimate controlling entity</b>	<b>Associates</b>	<b>Key Personnel</b>	<b>Other interest</b>	
Interest income	71	-	48	2,918	<b>3,037</b>
Interest expense	(10,128)	-	-	(46)	<b>(10,174)</b>
Fees and commissions income	388	17	2	531	<b>938</b>
Fees and commissions expenses	(477)	-	-	(12,067)	<b>(12,544)</b>
Net trading income	-	-	-	-	-
Operating expenses	(16,327)	-	-	(7,510)	<b>(23,837)</b>
Personnel expenses	-	-	(17,708)	-	<b>(17,708)</b>
Other operating income	-	-	-	588	<b>588</b>

<i>In RON thousand</i>	<b>30 June 2020</b>				<b>Total</b>
	<b>Ultimate controlling entity</b>	<b>Associates</b>	<b>Key Personnel</b>	<b>Other interest</b>	
Interest income	23	-	47	2,733	2,803
Interest expense	(14,791)	-	-	(2)	(14,793)
Fees and commissions income	2,855	-	2	376	3,233
Fees and commissions expenses	-	-	-	(4,194)	(4,194)
Net trading income	13,704	-	-	-	13,704
Operating expenses	(14,239)	-	-	(24,030)	(38,269)
Personnel expenses	-	-	(16,352)	-	(16,352)

Operating expenses include mostly IT costs, legal, advisory and consulting expenses and office space expenses such as rental, maintenance and others.

**40. RELATED PARTY TRANSACTIONS (continued)**
**Bank**

<i>In RON thousand</i>	<b>30 June 2021</b>					
	<b>Ultimate controlling entity</b>	<b>Subsidiaries</b>	<b>Associates</b>	<b>Key Personnel</b>	<b>Other interest</b>	<b>Total</b>
Interest income	71	2,849	-	48	2,918	<b>5,886</b>
Interest expense	(10,128)	-	-	-	(46)	<b>(10,174)</b>
Fees and commissions income	388	2,971	17	2	531	<b>3,909</b>
Fees and commissions expenses	(477)	-	-	-	(12,067)	<b>(12,544)</b>
Net trading income	-	-	-	-	-	-
Operating expenses	(16,327)	-	-	-	(7,510)	<b>(23,837)</b>
Personnel expenses	-	-	-	(17,708)	-	<b>(17,708)</b>
Dividend income	-	21,753	-	-	-	<b>21,753</b>
Other operating income	-	1,045	-	-	588	<b>1,633</b>

<i>In RON thousand</i>	<b>30 June 2020</b>					
	<b>Ultimate controlling entity</b>	<b>Subsidiaries</b>	<b>Associates</b>	<b>Key Personnel</b>	<b>Other interest</b>	<b>Total</b>
Interest income	23	3,310	-	47	2,733	6,113
Interest expense	(14,791)	(76)	-	-	(2)	(14,869)
Fees and commissions income	2,855	3,088	-	2	376	6,321
Fees and commissions expenses	-	-	-	-	(4,194)	(4,194)
Net trading income	13,704	-	-	-	-	13,704
Operating expenses	(14,239)	-	-	-	(24,030)	(38,269)
Personnel expenses	-	-	-	(16,352)	-	(16,352)
Dividend income	-	39,751	-	-	-	39,751
Other operating income	-	1,094	-	-	-	1,094

**40. RELATED PARTY TRANSACTIONS (continued)**
**Transactions with key management personnel**

Key management personnel is comprised of the members of the Supervisory Board, Management Board and other senior management as defined by the National Bank of Romania Regulation no.5/20.12.2013 related to the prudential requirements for credit institutions and amended by the Regulation no.5/17.12.2014.

The transactions between the Group and key management personnel are in the normal course of business, representing: loans granted, deposits placed, foreign currency transactions and guarantees issued.

The volumes of key management personnel transactions as at year-end and expense and income for the year are presented in the below tables.

*In RON thousand*

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Loans and advances to customers	3,824	7,368	3,824	7,368
Deposits	13,874	-	13,874	-
Interest income and fees and commission income	50	90	50	90

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**

*In RON thousand*

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>30 June 2021</b>	<b>30 June 2020</b>
Short-term employee benefits	16,468	14,867	16,468	14,867
Other long term benefits	1,240	1,485	1,240	1,485
<b>Total compensation</b>	<b>17,708</b>	<b>16,352</b>	<b>17,708</b>	<b>16,352</b>

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:

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2020</b>	<b>31 December 2020</b>
<i>In RON thousand</i>				
Loan commitments	11,057,954	11,494,507	10,995,052	11,458,820
Guarantees issued	2,070,180	2,076,377	2,070,180	2,076,377
Letters of credit	736,311	689,978	736,311	689,978
<b>Total</b>	<b>13,864,445</b>	<b>14,260,862</b>	<b>13,801,544</b>	<b>14,225,175</b>

## 42. CAPITAL

The capital management of the Group is defined through the capital strategy approved by the Management Board and is reviewed at least once every year.

The primary objective of the Group's capital management is to ensure an adequate level of capital which meets not only the regulatory requirements, but also the limits set in the capital strategy.

The Management Board of the Group actively manages the capital structure and seeks to maintain at all times a higher level of capital than the regulatory one in order to ensure a comfortable position in achieving the Group's business objectives.

No major changes have been made to the objectives and policies regarding capital management compared to the previous year.

Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No.648/2012 requires that the Group maintain a minimum Common Equity Tier 1 capital ratio of 4.5 %, a minimum Tier 1 capital ratio of 6 % and a minimum total capital ratio of 8 %.

According to supervisory review, Group was requested through an official notification to hold additional capital to cover risks which are not or not adequately taken into account under pillar I. The Group is also subject to Conservation and other systemically important institutions buffer. The Group is compliant with all of the above requirements.

**42. CAPITAL (continued)**

<i>In RON thousand</i>	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
Tier 1 Capital, of which:	5,446,088	4,916,590	5,322,642	4,787,504
Common Equity Tier 1 (CET 1) Capital	5,207,513	4,678,015	5,084,067	4,548,929
Additional Tier 1 Capital	238,575	238,575	238,575	238,575
Tier 2 Capital	897,713	910,857	887,221	899,951
<b>Total capital</b>	<b>6,343,801</b>	<b>5,827,447</b>	<b>6,209,863</b>	<b>5,687,455</b>
<b>Risk weighted assets</b>	<b>27,201,925</b>	<b>25,756,912</b>	<b>26,184,692</b>	<b>24,644,051</b>
Common Equity Tier 1 Capital ratio	19.14%	18.16%	19.42%	18.46%
Tier 1 Capital ratio	20.02%	19.09%	20.33%	19.43%
Total Capital ratio	23.32%	22.62%	23.72%	23.08%

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.



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### **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. Revenues are also brought in from loans and deposits granted to own employees, reported below as part of segment "Others".

Proprietary business consists of Treasury Division (less Financial Institutions) and "Others" segment (less Own employees). The first mainly provides income streams from treasury activities, namely trading revenues, net income from financial assets held at fair value through profit or loss, as well as from interest contribution. The latter shows revenues mainly obtained as a result of transfers among segments, capital benefit, income generated by participations.

Regarding the segmentation by geographical area, the Group is performing its activity mainly under geographical area of Romania.

**RAIFFEISEN BANK SA**

Notes to the interim condensed consolidated and separate financial statements for the period ended  
**30 June 2021**


**43. SEGMENTS CONSOLIDATION (continued)**

Group	30 June 2021					
	Corporate Customers	Private Individuals	SME	Treasury Division	Others	Total unit
<i>In RON thousand</i>						
Total Assets before impairment allowance on loans and advances to customers at amortised cost	11,449,637	16,622,282	3,475,165	20,518,645	4,508,317	56,574,047
Impairment allowance on loans and advances to customers at amortised cost	(318,233)	(845,166)	(195,129)	(268)	(20,971)	(1,379,767)
<b>Total Assets</b>	<b>11,131,404</b>	<b>15,777,116</b>	<b>3,280,036</b>	<b>20,518,377</b>	<b>4,487,346</b>	<b>55,194,280</b>
<b>Total Liabilities</b>	<b>7,871,249</b>	<b>27,859,305</b>	<b>7,162,213</b>	<b>3,577,605</b>	<b>2,897,669</b>	<b>49,368,041</b>
<b>Equity</b>	-	-	-	-	<b>5,826,239</b>	<b>5,826,239</b>
Net interest income	165,590	498,403	134,831	7,544	65,942	872,310
Net commission income	59,571	126,653	86,593	9,798	(1,314)	281,301
Net trading income	23,833	71,422	26,409	31,441	8,583	161,688
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	330	(5,823)	1,061	164	11	(4,257)
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	2,406	-	2,406
Gains or (-) losses from hedge accounting, net	-	-	-	899	-	899
Other net operating income	(21,037)	(21,703)	(3,624)	78,912	(21,347)	11,201
<b>Total Operating income</b>	<b>228,287</b>	<b>668,952</b>	<b>245,270</b>	<b>131,164</b>	<b>51,875</b>	<b>1,325,548</b>
Operating expenses	(55,388)	(231,812)	(85,049)	(10,061)	(29,502)	(411,812)
Personnel expenses	(42,409)	(202,191)	(74,130)	(11,018)	(7,615)	(337,363)
Net provisioning for impairment allowance on financial assets	621	(51,751)	(14,574)	(2,549)	1,009	(67,244)
Share of gain from associates and joint ventures	-	-	-	-	1,405	1,405
<b>Profit before tax</b>	<b>131,111</b>	<b>183,198</b>	<b>71,517</b>	<b>107,536</b>	<b>17,172</b>	<b>510,534</b>
Income taxes	-	-	-	-	(106,072)	(106,072)
<b>Profit after tax</b>	<b>131,111</b>	<b>183,198</b>	<b>71,517</b>	<b>107,536</b>	<b>(88,900)</b>	<b>404,462</b>

**RAIFFEISEN BANK SA**

Notes to the interim condensed consolidated and separate financial statements for the period ended

**30 June 2021**

**43.SEGMENTS CONSOLIDATION (continued)**
**Group**
**30 June 2020**

<i>In RON thousand</i>	<b>Corporate Customers</b>	<b>Private Individuals</b>	<b>SME</b>	<b>Treasury Division</b>	<b>Others</b>	<b>Total unit</b>
Total Assets before impairment allowance on loans and advances to customers at amortised cost	10,381,957	15,072,289	2,613,860	15,544,302	4,572,157	48,184,565
Impairment allowance on loans and advances to customers at amortised cost	(281,885)	(806,820)	(150,593)	(108)	(11,281)	(1,250,687)
<b>Total Assets</b>	<b>10,100,072</b>	<b>14,265,469</b>	<b>2,463,267</b>	<b>15,544,194</b>	<b>4,560,876</b>	<b>46,933,878</b>
<b>Total Liabilities</b>	<b>7,086,505</b>	<b>24,296,430</b>	<b>6,095,070</b>	<b>2,736,113</b>	<b>1,634,083</b>	<b>41,848,201</b>
<b>Equity</b>	-	-	-	-	<b>5,085,677</b>	<b>5,085,677</b>
Net interest income	163,646	554,313	87,802	33,607	32,578	871,946
Net commission income	54,229	100,328	85,161	14,863	(617)	253,964
Net trading income	20,390	71,577	22,630	48,286	562	163,445
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	157	12,650	(9)	-	130	12,928
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	2,695	-	2,695
Gains or (-) losses from hedge accounting, net	-	-	-	110	-	110
Other net operating income	-	234	-	-	11,551	11,785
<b>Total Operating income</b>	<b>238,422</b>	<b>739,102</b>	<b>195,584</b>	<b>99,561</b>	<b>44,204</b>	<b>1,316,873</b>
Operating expenses	(66,509)	(218,841)	(77,207)	(15,523)	(98,618)	(476,698)
Personnel expenses	(44,412)	(200,394)	(70,803)	(9,626)	(5,005)	(330,240)
Net provisioning for impairment allowance on financial assets	(61,365)	(103,215)	(30,732)	(3,707)	2,741	(196,278)
Share of gain from associates and joint ventures	-	-	-	-	<b>902</b>	<b>902</b>
<b>Profit before tax</b>	<b>66,136</b>	<b>216,652</b>	<b>16,842</b>	<b>70,705</b>	<b>(55,776)</b>	<b>314,559</b>
Income taxes	-	-	-	-	(59,521)	(59,521)
<b>Profit after tax</b>	<b>66,136</b>	<b>216,652</b>	<b>16,842</b>	<b>70,705</b>	<b>(115,297)</b>	<b>255,038</b>

**RAIFFEISEN BANK SA**

Notes to the interim condensed consolidated and separate financial statements for the period ended  
**30 June 2021**


**43. SEGMENTS CONSOLIDATION (continued)**
**Bank**

<i>In RON thousand</i>	30 June 2021					
	Corporate Customers	Private Individuals	SME	Treasury Division	Others	Total unit
Total Assets before impairment allowance on loans and advances to customers at amortised cost	11,015,204	16,573,102	2,855,086	20,221,358	5,185,578	55,850,328
Impairment allowance on loans and advances to customers at amortised cost	(302,966)	(845,038)	(168,602)	(268)	(19,502)	(1,336,376)
<b>Total Assets</b>	<b>10,712,238</b>	<b>15,728,064</b>	<b>2,686,484</b>	<b>20,221,090</b>	<b>5,166,076</b>	<b>54,513,952</b>
<b>Total Liabilities</b>	<b>7,864,449</b>	<b>27,728,803</b>	<b>7,153,494</b>	<b>2,637,076</b>	<b>3,437,798</b>	<b>48,821,620</b>
<b>Equity</b>	-	-	-	-	<b>5,692,332</b>	<b>5,692,332</b>
Net interest income	161,333	496,706	125,702	2,553	66,428	852,722
Net commission income	58,123	107,977	81,866	9,886	(788)	257,064
Net trading income	23,833	71,422	26,409	31,957	8,584	162,205
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	330	(5,823)	1,061	-	11	(4,421)
Gains or (-) losses from hedge accounting, net	-	-	-	899	-	899
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	2,406	-	2,406
Other net operating income	(21,161)	(21,763)	(5,254)	78,912	38,029	68,763
<b>Total Operating income</b>	<b>222,458</b>	<b>648,519</b>	<b>229,784</b>	<b>126,613</b>	<b>112,264</b>	<b>1,339,638</b>
Operating expenses	(54,130)	(228,526)	(80,987)	(9,986)	(28,591)	(402,220)
Personnel expenses	(40,440)	(198,344)	(68,782)	(10,965)	(4,647)	(323,178)
Net provisioning for impairment allowance on financial assets	1,718	(51,822)	(17,292)	(2,549)	(45,255)	(115,200)
<b>Profit before tax</b>	<b>129,606</b>	<b>169,827</b>	<b>62,723</b>	<b>103,113</b>	<b>33,771</b>	<b>499,040</b>
Income taxes	-	-	-	-	(101,881)	(101,881)
<b>Profit after tax</b>	<b>129,606</b>	<b>169,827</b>	<b>62,723</b>	<b>103,113</b>	<b>(68,110)</b>	<b>397,159</b>

**RAIFFEISEN BANK SA**

Notes to the interim condensed consolidated and separate financial statements for the period ended  
**30 June 2021**


**43. SEGMENTS CONSOLIDATION (continued)**
**Bank**

<i>In RON thousand</i>	30 June 2020					Total unit
	Corporate Customers	Private Individuals	SME	Treasury Division	Others	
Total Assets before impairment allowance on loans and advances to customers at amortised cost	10,201,655	15,019,446	2,349,086	15,206,899	4,511,964	47,289,050
Impairment allowance on loans and advances to customers at amortised cost	(266,388)	(806,716)	(124,947)	(108)	(11,288)	(1,209,447)
<b>Total Assets</b>	<b>9,935,267</b>	<b>14,212,730</b>	<b>2,224,139</b>	<b>15,206,791</b>	<b>4,500,676</b>	<b>46,079,603</b>
<b>Total Liabilities</b>	<b>7,083,218</b>	<b>24,051,620</b>	<b>6,092,732</b>	<b>2,308,852</b>	<b>1,568,297</b>	<b>41,104,719</b>
<b>Equity</b>	-	-	-	-	<b>4,974,884</b>	<b>4,974,884</b>
Net interest income	159,209	552,129	78,223	28,201	32,636	850,398
Net commission income	53,115	84,803	81,066	14,890	(583)	233,291
Net trading income	20,390	71,577	22,630	48,490	564	163,651
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	157	12,650	(9)	-	158	12,956
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	2,695	-	2,695
Gains or (-) losses from hedge accounting, net	-	-	-	110	-	110
Other net operating income	-	234	-	-	50,171	50,405
<b>Total Operating income</b>	<b>232,871</b>	<b>721,393</b>	<b>181,910</b>	<b>94,386</b>	<b>82,946</b>	<b>1,313,506</b>
Operating expenses	(65,284)	(215,842)	(73,980)	(15,445)	(97,242)	(467,793)
Personnel expenses	(42,243)	(195,790)	(65,117)	(9,474)	(2,350)	(314,974)
Net provisioning for impairment allowance on financial assets	(59,815)	(103,183)	(25,642)	(3,707)	(1,415)	(193,762)
<b>Profit before tax</b>	<b>65,529</b>	<b>206,578</b>	<b>17,171</b>	<b>65,760</b>	<b>(18,061)</b>	<b>336,977</b>
Income taxes	-	-	-	-	(56,693)	(56,693)
<b>Profit after tax</b>	<b>65,529</b>	<b>206,578</b>	<b>17,171</b>	<b>65,760</b>	<b>(74,754)</b>	<b>280,284</b>

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#### **44. SUBSEQUENT EVENTS**

On 03.09.2021, ANPC drew up the Minutes of finding the contravention by which, following a control performed regarding the “*verification of the manner of measures implementation imposed by Order no. 280/09.07.2014*”, found that the bank did not comply with the measures imposed by the aforementioned Order. By the same minutes, the ascertaining agents ordered the sanctioning of the bank with a contravention fine of RON 100,000, proposed the application of the complementary sanction of suspending the bank's activity until the cessation of the incorrect commercial practice, and also, they proposed the application of the complementary sanction of refund the value of the alleged administration fee disguised as a component of the interest margin, within a maximum of 15 days from the communication of the minutes of finding the contravention, stating that the amount representing the fee is interest-bearing, which is calculated from the date of the original contravention, until the date of actual payment of that value.

The bank filed a complaint against the ANPC Minute, on the role of District Court 1. By this action, the measures from the Minute were suspended.

On the same date, by the aforementioned Minutes, ANPC issued the Order no.234/03.09.2021, by which, ordered the application of the complementary sanction of suspending the bank's activity “regarding to incorrect commercial practice consisting in the unilateral decision of the bank as at the time of credit restructuring, to increase the interest margins by introducing into them the administration fee which it has expressly waived by additional documents signed with customers and refund of the amounts incorrectly collected by consumers”.

Therefore, from the analysis of the content of the Order, it can be seen that the main act imputed is that the bank would not have ordered the cessation of the unfair commercial practice ascertained by the Order no.280/09.07.2014 (respectively to include the fixed margin administration fee in the interest calculation formula), which would have supposed, in the opinion of the authority, refund to the bank's customers of the amounts allegedly incorrectly collected as an administration fee. We specify that the Order no. 280/09.07.2014 never imposed **a refund obligation on the bank, and the practice has been ceased since 2014, the bank modifying the contract models and clearly explaining the restructuring method.**

The Bank submitted the request to suspend the Order no.234 / 03.09.2021, which has a hearing term at 5th of October, 2021. As of the date of these Interim condensed consolidated and separate financial statements, the Bank is in the process of analysing the potential additional financial impact which may translate in a possible upward adjustment in provisions of up to RON 30 million.