BRD – Groupe Société Générale S.A.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Prepared in Accordance with
International Financial Reporting Standards as adopted by the European Union

DECEMBER 31, 2020

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
for the period ended December 31, 2020
(Amounts in thousands RON)

	Note	Group		Bank	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
ASSETS					
Cash in hand	5,34	1,889,556	2,077,373	1,889,552	2,077,340
Due from Central Bank	6	5,223,833	4,765,273	5,223,833	4,765,273
Due from banks	7	5,516,842	3,409,594	5,499,644	3,391,780
Derivatives and other financial instruments held for trading	8	2,400,365	1,244,032	2,400,365	1,244,069
Loans and advances to customers	9	29,642,998	30,292,869	28,873,021	29,466,780
Finance lease receivables	10	1,066,899	992,665	-	-
Financial assets at fair value through profit and loss	11	85,240	108,054	58,384	87,375
Financial assets at fair value through other comprehensive income	12	15,943,470	12,958,113	15,943,470	12,958,113
Investments in subsidiaries, associates and joint ventures	13	99,114	85,574	158,916	133,982
Property, plant and equipment	14	1,065,856	1,193,499	1,052,585	1,175,272
Investment property		17,798	17,818	17,798	17,818
Goodwill	15	50,130	50,130	50,130	50,130
Intangible assets	16	247,379	185,289	244,299	181,424
Current tax assets	21	4,911	136	4,905	-
Deferred tax asset	21	10,287	88,955	-	83,113
Other assets	17	293,067	301,130	217,683	220,770
Total assets		**63,557,745**	**57,770,504**	**61,634,585**	**55,853,239**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	18	199,011	421,112	199,011	421,112
Due to customers	19	49,957,754	45,898,751	50,152,126	46,039,649
Borrowed funds	20	1,742,352	1,696,495	6,765	10,367
Derivatives and other financial instruments held for trading	8	599,669	209,530	599,669	209,530
Current tax liability	21	2,069	15,117	-	11,438
Deferred tax liability	21	37,907	-	37,907	-
Other liabilities	22	1,246,918	1,345,581	1,166,964	1,265,855
Total liabilities		**53,785,680**	**49,586,586**	**52,162,442**	**47,957,951**
Share capital	23	2,515,622	2,515,622	2,515,622	2,515,622
Other reserves		804,442	179,152	804,442	179,152
Retained earnings and capital reserves		6,403,510	5,441,455	6,152,079	5,200,514
Non-controlling interest		48,491	47,689	-	-
Total equity		**9,772,065**	**8,183,918**	**9,472,143**	**7,895,288**
Total liabilities and equity		**63,557,745**	**57,770,504**	**61,634,585**	**55,853,239**

The financial statements have been authorized by the Group’s management on March 16, 2021 and are signed on the Group’s behalf by:

Giovanni Luca Soma
Chairman of the Board of Directors

François Bloch
Chief Executive Officer

Stephane Fortin
Deputy Chief Executive Officer

Etienne Loulergue
Chief Financial Officer

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE PROFIT OR LOSS
for the period ended December 31, 2020
(Amounts in thousands RON)

		Group		Bank	
	Note	**2020**	**2019**	**2020**	**2019**
Interest and similar income	24	2,261,411	2,337,534	2,105,552	2,184,513
Interest and similar expense	25	(174,483)	(187,172)	(148,899)	(161,000)
Net interest income		**2,086,928**	**2,150,362**	**1,956,653**	**2,023,513**
Fees and commission income	26	950,380	1,026,090	907,046	982,191
Fees and commission expense	26	(238,964)	(220,477)	(232,757)	(214,986)
Fees and commissions, net		**711,416**	**805,613**	**674,289**	**767,205**
Gain on derivative, other financial instruments held for trading and foreign exchange	27	272,295	274,394	270,818	274,408
Gain from financial instruments at fair value through other comprehensive income		12,375	12,027	12,375	12,027
Gain from financial instruments at fair value through profit and loss		13,306	23,732	11,929	22,610
Net gain or (loss)/Income from associates and joint ventures		(5,204)	5,397	6,191	9,146
Other income/(expense) from banking activities	28	(3,110)	(1,617)	(5,723)	61,229
Net banking income		**3,088,006**	**3,269,908**	**2,926,532**	**3,170,138**
Personnel expenses	30	(833,621)	(826,199)	(779,220)	(770,260)
Depreciation, amortisation and impairment on tangible and intangible assets	31	(245,315)	(229,007)	(236,482)	(221,176)
Contribution to Guarantee Scheme and Resolution Fund	29	(43,296)	(72,211)	(43,296)	(72,211)
Other operating expenses	32	(465,775)	(550,120)	(422,374)	(516,735)
Total operating expenses		**(1,588,007)**	**(1,677,537)**	**(1,481,372)**	**(1,580,382)**
Gross operating profit		**1,499,999**	**1,592,371**	**1,445,160**	**1,589,756**
Cost of risk	33	(352,651)	203,673	(312,900)	223,861
Operating profit		**1,147,348**	**1,796,044**	**1,132,260**	**1,813,617**
Profit before income tax		**1,147,348**	**1,796,044**	**1,132,260**	**1,813,617**
Current tax expense	21	(186,987)	(307,311)	(178,746)	(295,763)
Deferred tax Income/(expense)	21	2,496	10,422	(1,949)	10,669
Total income tax		**(184,491)**	**(296,889)**	**(180,695)**	**(285,094)**
Profit for the period		**962,857**	**1,499,155**	**951,565**	**1,528,523**
Profit attributable to equity holders of the parent		962,055	1,492,217	-	-
Profit attributable to non-controlling interests		802	6,938	-	-
Basic earnings per share (in RON)	39	**1.3805**	**2.1412**	**1.3654**	**2.1933**

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the period ended December 31, 2020
(Amounts in thousands RON)

	Note	Group		Bank	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Profit for the period		**962,857**	**1,499,155**	**951,565**	**1,528,523**
Other comprehensive income					
Net comprehensive income that may be reclassified to profit and loss in subsequent periods		**629,411**	**179,965**	**629,411**	**186,140**
Net gain on financial assets at fair value through other comprehensive income		629,411	186,139	629,411	186,140
Reclassifications to profit and loss during the period		12,211	7,050	12,211	13,224
Revaluation differences		737,057	214,772	737,057	208,599
Income tax		(119,856)	(35,683)	(119,856)	(35,683)
Reclassification to Profit and loss from exchange rate differences		-	(6,174)		
Net comprehensive income not to be reclassified to profit and loss in subsequent periods		**(4,121)**	**(3,865)**	**(4,121)**	**(3,865)**
(Loss) on defined pension plan	22	(4,906)	(4,601)	(4,906)	(4,601)
Income tax relating to defined pension plan	21	785	736	785	736
Other comprehensive income for the period, net of tax		**625,290**	**176,100**	**625,290**	**182,275**
Total comprehensive income for the period, net of tax		**1,588,147**	**1,675,255**	**1,576,855**	**1,710,798**
Attributable to:					
Equity holders of the parent		1,587,345	1,668,317		-
Non-controlling interest		802	6,938		-

The accompanying notes are an integral part of this financial statements

(Amounts in thousands RON)

Group

	Attributable to equity holders of the parent					Non-controlling interest	Total equity
		Other reserves					
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Foreign currency translation reserve	Retained earnings and capital reserves		
December 31, 2018	**2,515,622**	**(26,520)**	**23,398**	**6,174**	**5,092,157**	**46,594**	**7,657,425**
Total comprehensive income	-	186,139	(3,865)	(6,174)	1,492,217	6,938	**1,675,255**
Net Profit for the period	-	-	-	-	1,492,217	6,938	**1,499,155**
Other comprehensive income	-	186,139	(3,865)	(6,174)	-	-	**176,100**
Equity dividends	-	-	-	-	(1,142,918)	(5,843)	**(1,148,761)**
December 31, 2019	**2,515,622**	**159,619**	**19,533**	**(0)**	**5,441,455**	**47,689**	**8,183,918**

	Attributable to equity holders of the parent				Non-controlling interest	Total equity
		Other reserves				
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves		
December 31, 2019	**2,515,622**	**159,619**	**19,533**	**5,441,455**	**47,689**	**8,183,918**
Total comprehensive income	-	629,411	(4,121)	962,055	802	**1,588,147**
Net Profit for the period	-	-	-	962,055	802	**962,857**
Other comprehensive income	-	629,411	(4,121)	-	-	**625,290**
December 31, 2020	**2,515,622**	**789,030**	**15,412**	**6,403,510**	**48,491**	**9,772,069**

(Amounts in thousands RON)

Bank

	Issued capital	Other reserves: Reserves from financial assets at fair value through other comprehensive income	Other reserves: Reserves from defined pension plan	Retained earnings and capital reserves	Total equity
December 31, 2018	**2,515,622**	**(26,521)**	**23,398**	**4,814,908**	**7,327,407**
Total comprehensive income	-	186,140	(3,865)	1,528,523	1,710,798
Net Profit for the period	-	-	-	1,528,523	1,528,523
Other comprehensive income	-	186,140	(3,865)	-	182,275
Equity dividends	-	-	-	(1,142,918)	(1,142,918)
December 31, 2019	**2,515,622**	**159,619**	**19,533**	**5,200,513**	**7,895,288**

	Issued capital	Other reserves: Reserves from financial assets at fair value through other comprehensive income	Other reserves: Reserves from defined pension plan	Retained earnings and capital reserves	Total equity
December 31, 2019	**2,515,622**	**159,619**	**19,533**	**5,200,514**	**7,895,288**
Total comprehensive income	-	629,411	(4,121)	951,565	1,576,855
Net Profit for the period	-	-	-	951,565	951,565
Other comprehensive income	-	629,411	(4,121)	-	625,290
December 31, 2020	**2,515,622**	**789,030**	**15,412**	**6,152,079**	**9,472,143**

(Amounts in thousands RON)

	Note	Group 2020	Group 2019	Bank 2020	Bank 2019
Cash flows from operating activities					
Profit before tax		**1,147,348**	**1,796,044**	**1,132,260**	**1,813,617**
Adjustments for:					
Depreciation and amortization expense	31	245,315	229,007	236,482	221,176
Loss/(gain) from investment in associates and joint ventures	13	11,395	3,749	-	-
(Gain) from revaluation of assets at fair value through profit and loss	11	(9,680)	(25,926)	(8,377)	(24,833)
Net gain sale from associates		-	(6,245)	-	(43,344)
Impairment adjustments and provisions	33	527,724	172,802	468,202	138,677
Adjusted profit		**1,922,102**	**2,169,431**	**1,828,567**	**2,105,293**
Changes in operating assets and liabilities					
Due from Central Bank		(458,560)	(979,782)	(458,560)	(979,782)
Accounts and deposits with banks		2,782	28,946	2,167	28,334
Sales of financial assets at fair value through profit and loss	11	37,564	348	37,564	56
Acquisition of financial assets at fair value through profit and loss	11	(5,070)	-	(196)	-
Financial assets at fair value through other comprehensive income		(2,364,188)	(712,413)	(2,364,188)	(712,412)
Loans and advances to customers		188,327	(808,657)	163,949	(662,115)
Lease receivables		(87,746)	(232,407)	-	-
Other assets including trading		(1,109,177)	1,029,835	(1,106,795)	1,004,416
Due to banks		(222,101)	123,295	(222,101)	123,295
Due to customers		4,059,003	681,756	4,112,477	724,093
Other liabilities		369,029	(113,902)	376,867	(68,603)
Total changes in operating assets and liabilities		**409,863**	**(982,981)**	**541,184**	**(542,718)**
Income tax paid		(199,251)	(278,936)	(195,089)	(274,014)
Cash flow from operating activities		**2,132,714**	**907,514**	**2,174,662**	**1,288,561**
Investing activities					
Sales of investments in associates		-	72,361	-	72,361
Acquisition of investments in associates and joint ventures	13	(24,935)	(4,404)	(24,934)	(4,405)
Acquisition of tangible and intangible assets	14,16	(197,882)	(170,748)	(195,984)	(166,469)
Proceeds from sale of tangible and intangible assets		36,420	1,731	36,420	1,731
Cash flow from investing activities		**(186,397)**	**(101,060)**	**(184,498)**	**(96,782)**
Financing activities					
Proceeds from borrowings		13,052,731	17,831,471	12,001,386	16,657,791
Repayment of borrowings		(13,006,874)	(17,441,613)	(12,004,988)	(16,664,005)
Repayment of principal lease liabilities	14	(69,960)	(84,027)	(64,320)	(79,124)
Dividends paid		-	(1,148,761)	-	(1,142,918)
Net cash from financing activities		**(24,103)**	**(842,930)**	**(67,922)**	**(1,228,257)**
Net movements in cash and cash equivalents		**1,922,214**	**(36,477)**	**1,922,242**	**(36,478)**
Cash and cash equivalents at beginning of the period	34	**5,337,052**	**5,373,530**	**5,337,018**	**5,373,497**
Cash and cash equivalents at the end of the period	34	**7,259,266**	**5,337,052**	**7,259,261**	**5,337,018**

Additional information on operational cash flows from interest and dividends:

	Group 2020	Group 2019	Bank 2020	Bank 2019
Interest paid	181,846	184,490	152,216	161,972
Interest received	2,225,735	2,348,960	2,069,637	2,193,534
Dividends received	6,191	9,146	6,191	39,952

The amount of undrawn borrowing facilities that may be available for future operating activities is 486,940 (December 31, 2019: 716,895) and represents a stand by line concluded with the parent for contingency funding purposes as requested by the Romanian banking regulations on liquidity management.

(Amounts in thousands RON)

1. Corporate information

BRD – Groupe Société Générale (the "Bank" or "BRD") is a joint stock company incorporated in Romania. The Bank commenced business as a state owned credit institution in 1990 by acquiring assets and liabilities of the former Banca de Investitii. The Bank headquarters and registered office is 1-7 Ion Mihalache Blvd, Bucharest.

BRD together with its subsidiaries (the "Group') offers a wide range of banking and financial services to corporates and individuals, as allowed by law. The Group accepts deposits from the public and grants loans and leases, carries out funds transfer in Romania and abroad, exchanges currencies and provides other financial services for its commercial and retail customers.

The ultimate parent is Société Générale S.A. as at December 31, 2020 (the "Parent"or "SG").

The Bank has as at December 31, 2020 584 units throughout the country (December 31, 2019: 648).

The average number of active employees of the Group during 2020 was 7,063 (2019: 7,407), and the number of active employees of the Group as of the period-end was 6,860 (December 31, 2019: 7,356).

The average number of active employees of the Bank during 2020 was 6,528 (2019: 6,808), and the number of active employees of the Bank as of the period-end was 6,357 (December 31, 2019: 6,751).

The active employees are the full time employees (excluding maternity leave and long-term sick leave).

BRD – Groupe Société Générale has been quoted on Bucharest Stock Exchange ("BVB") since January 15, 2001.

The shareholding structure of the Bank is as follows:

	December 31, 2020	**December 31, 2019**
Societe Generale	60.17%	60.17%
Fondul De Pensii Administrat Privat Nn/Nn Pensii S.A.F.P.A.P. S.A.	5.31%	4.74%
Fondul De Pensii Administrat Privat Azt Viitorul Tau/Allianz Pp	4.26%	2.91%
S.I.F. Oltenia	4.11%	4.09%
S.I.F. Transilvania	3.17%	3.26%
Fondul De Pensii Administrat Privat Metropolitan Life	2.96%	2.18%
Legal entities	15.65%	18.30%
Individuals	4.37%	4.35%
Total	**100.00%**	**100.00%**

2. Basis of preparation

a) Basis of preparation

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, and Order of the National Bank of Romania Governor no. 27/2010 with subsequent amendments, BRD prepared the consolidated and separate financial statements for the year ended December 31, 2020 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU").

The consolidated financial statements include the consolidated statement of financial position, the consolidated profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement, and consolidated notes.

The separate financial statements include the separate statement of financial position, the separate profit or loss, the separate statement of comprehensive income, the separate statement of changes in shareholders' equity, the separate cash flow statement, and separate notes.

The consolidated and separate financial statements is presented in Romanian lei ("RON"), which is the Group's and its subsidiaries' functional and presentation currency, rounded to the nearest thousand, except when otherwise indicated. The consolidated and separate financial statements has been prepared on a historical cost basis, except for financial assets at fair value through profit and loss, financial assets through other comprehensive income, derivative financial instruments, other financial assets and liabilities held for trading, which have all been measured at fair value.

The Group and Bank's management has made an assessment of the Group and Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the consolidated and separate financial statements are prepared on the going concern basis.

b) Basis for consolidation

The consolidated financial statements comprise the financial statements of the credit institution and its subsidiaries as at December 31, 2020. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

A subsidiary is an entity over which the Bank exercises control. An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2019: 99.98%), BRD Finance IFN S.A (49% ownership, 2019: 49%) and BRD Asset Management SAI SA (99.98% ownership, 2019: 99.98%).

According to IFRS 12 9(b), the Group controls BRD Finance IFN S.A even though it holds less than half of the voting rights, through the power to govern the financial and operating policies of the entity under various agreements. All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

(Amounts in thousands RON)

2. Basis of preparation

b) Basis for consolidation (continued)

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date such control ceases.

Equity and net income attributable to non-controlling interest are shown separately in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of comprehensive income, respectively.

The Bank is accounting the investments in subsidiaries, associates and joint ventures in the separate financial statements at cost less impairment adjustment.

Group

Associates	Field of activity	Address	%
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, floor 3, district 1, Bucharest	20.00%
BRD Asigurari de Viata SA	Insurance	58-60 Gheorghe Polizu Street, Bucharest Corporate Center building, floor 8 (zone 3) and floor 9, district 1, Bucharest	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, district 1, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	58-60 Gheorghe Polizu Street, floor 8 (zone 1, 2 and 4), district 1, Bucharest	49.00%
BRD Sogelease Asset Rental SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest	20.00%
Joint ventures			
CIT One SA	Protection and guard	319L Splaiul Independentei Street, Paris Building/A1, 1st floor, district 6, Bucharest,	33.33%

Bank

	Field of activity	Address	%
Associates			
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, floor 3, district 1, Bucharest	20.00%
BRD Asigurari de Viata SA	Insurance	58-60 Gheorghe Polizu Street, Bucharest Corporate Center building, floor 8 (zone 3) and floor 9, district 1, Bucharest	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, district 1, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	58-60 Gheorghe Polizu Street, floor 8 (zone 1, 2 and 4), district 1, Bucharest	49.00%
Joint ventures			
CIT One SA	Protection and guard	319L Splaiul Independentei Street, Paris Building/A1, 1st floor, district 6, Bucharest,	33.33%
Subsidiaries			
BRD Sogelease IFN SA	Financial lease	1-7, Ion Mihalache Street, floor 12, district 1, Bucharest	99.98%
BRD Finance IFN SA	Financial institution	1-7, Ion Mihalache Street, floor 15, district 1, Bucharest	49.00%
BRD Asset Management SAI SA	Fund administration	2 Doctor Staicovici Street, district 5, floor 5, Bucharest	99.98%

As at September 30, 2020, BRD - Groupe Societe Generale signed a shareholders' agreement for entering the shareholding of CIT ONE S.A. with a participation share of 33.33%. As a result, as at 31 December 2020 the participation in CIT One S.A. is included in the scope of BRD Group consolidation through equity method, in accordance with IAS 28 "Investments in associates and joint ventures" and presented as a joint venture in accordance with IFRS 11 “Joint Agreements”.

2. Basis of preparation (continued)

c) Changes in accounting policies and adoption of revised/amended IFRS

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2020.

The impact of the application of these new and revised IFRSs has been reflected in the financial statements and was estimated as not being material, except disclosures already presented in the Notes.

- **Conceptual Framework in IFRS standards**

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

- **IFRS 3: Business Combinations (Amendments)**

  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**

  In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.

2. Basis of preparation (continued)

c) Changes in accounting policies and adoption of revised/amended IFRS (continued)

There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR).

In the context of the Benchmark Regulation (BMR), certain benchmark rates publication will be discontinued and BRD needs to adopt new reference rates (RFRs – Risk Free Rates) and modify its products accordingly. Starting with 31 December 2021, EONIA will be replaced by ESTR; LIBOR publication will be discontinued for EUR, CHF, GBP, JPY, 1 week and 2 months tenors for USD LIBOR, while for all remaining USD LIBOR tenors publication will be discontinued starting with 30 June 2023. There is no such intention for EURIBOR and the local benchmarks (ROBOR).
In order to address these developments, BRD IBOR transition project was initiated in October 2020 and organized on four streams: impact and risks assessment, legal and communication actions, RFR adoption and legacy management.

As regards hedge accounting, the effect of IBOR reform on the Bank's interest rate risk management is limited to 2 IRS transactions in hedge accounting relationships with USD LIBOR 3M as reference index. As of December 2020, the residual nominal value stands at 54 Million USD, with an average maturity of 2.86 years. Considering the very limited residual notional and the relative low duration, no material impact on the Bank's hedging activities is expected.

2. Basis of preparation (continued)

d) Standards and Interpretations that are issued but have not yet come into effect

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

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

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
  - **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

  The amendments have not yet been endorsed by the EU.

2. Basis of preparation (continued)

d) Standards and Interpretations that are issued but have not yet come into effect (continued)

- **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**

  The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease.

  The amendment has not yet been endorsed by the EU.

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**

  In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

e) Significant accounting judgments and estimates

In the process of applying the Group and Bank's accounting policies, management is required to use its judgments and make estimates in determining the amounts recognized in the consolidated and separate financial statements. The most significant use of judgments and estimates are as follows:

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 42.

Expected credit losses on financial assets at amortised cost and FVOCI

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank reviews its loans and advances to customers at each reporting date to assess whether there is any objective evidence of impairment. The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days, whether a severe alteration in the counterparty's financial standing is observed, entailing a high probability that the debtor will not be able to fully meet its credit obligations, whether concessions in the form of restructuring were consented under the circumstances of financial hardship experienced by the debtor, whether legal procedures were initiated or the debtor was transferred to specialized recovery structures (regardless of the number of days past due).

The Bank's expected credit loss model (ECL) relies on several underlying assumptions regarding the choice of variable inputs and their interdependencies, which affect the level of allowances:

- The internal credit grading model, which assigns probabilities of default (PDs) to the individual grades
- The criteria defined (both in relative and absolute terms) for the assessment of significant increase in credit risk since initial recognition and consequently the computation of allowances based on life time expected credit loss (LTECL)
- The grouping of financial assets when their ECL is measured on a collective basis
- The development of ECL model, including the various formulas and the choice of inputs
- The macroeconomic scenarios and their probability weightings based on which ECL is derived
- The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, the Bank assesses the need/opportunity for additional amounts of provisions in the form of overlays, in order to address:
  - Sector of activity specific risks (adjustment of ECL on sectors that have a different default behaviour from the whole calibration segment)
  - Visible macroeconomic threat impossible to be captured by the models (typically, when the predicted stress did not occur in the observed past serving as a base for models)

  The overlays booked by the Bank represent 5.5% (2019: 6.6%) of total stock of expected credit losses.
- For individually significant loans and advances, the Group and Bank identify and quantify the expected future cash flows to be used for a total or partial reimbursement of the obligations, based on the capacity of the client/business to generate revenues, proceeds resulting from sale of collaterals and other clearly identified sources of repayment. The individual assessment threshold is defined in between 500 -1,500 thousands EUR, depending on the client type and customers' management departments.

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

COVID - 19

The outbreak of the COVID-19 pandemic has prompted rapid social and economic responses worldwide. Within the EU, Member States have implemented a broad range of support measures aimed at minimizing the medium- and long-term economic impacts of the pandemic. The response included some forms of moratorium on payments of credit obligations (with the aim of supporting the operational and liquidity challenges faced by borrowers), introduced either jurisdiction-wide (legislative moratorium) or voluntary industry-wide or individual initiatives by institutions (non-legislative moratorium). In Romania, the moratorium reflects a combination of statewide legislation (GEO 37/2020, and GEO 227/2021) doubled by various initiatives of the banking system.

The state moratorium introduced through GEO 37 has the following main features:

- ✓ validity period from 31st of March to 15th of May and further prolonged to 15th of June;
- ✓ grace period up to 9 months (not beyond 2020 end);
- ✓ interest is accrued (capitalized for consumer loans, repaid in 60 equal installments for housing loans);
- ✓ available to debtors without day past due (at request date) and affected by the crisis (based on declaration for individuals, loss of 25% of revenues for companies)
- ✓ no reclassification triggered as non-performing, consistent with EU regulators' position.

In addition to legislative moratorium provisions, BRD has also designed internal deferral programs in order to support its debtors under the temporary distress. These measures fall into the non-legislative category. All moratorium deferrals ended as at 31 December 2020.

For the eligible debtors the moratorium-related changes to the contract are not automatically considered forbearance measures, hence no automatically default trigger. As at 31 December 2020, approximatively 52 thousand customers benefited from payment deferrals which represent 13% of the individuals' portfolio and 11% of the non-financial institutions' portfolio.

The Group did not automatically mark the loans benefitting from payment suspension as credit impaired (Stage 3) or as loans with significant increase in credit risk (Stage 2), in line with guidance on the treatment of general moratoria. However, the potential risk was accounted for through more prudent rating, which has ultimately resulted in an overall migration towards Stage 2, above the average share at Group level, as detailed below:

- The distribution of moratoria loans across stages is: 25% Stage 1, 68% Stage 2, 7% Stage 3
- The distribution of total Group portfolio across stages is: 69% Stage 1, 27% Stage 2, 4% Stage 3

An additional measure within the relief package to support the economy at national level was the approval of an envelope of 3 billion EUR of state guarantee and interest subsidies to support SME sector financing within IMM INVEST loan facility program. BRD has approved 1,758 customer financing requests, amounting to approx. 738 MRON.

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

Provisions for other risks and charges

The Bank operates in a regulatory and legal environment that, by nature has a heightened element of litigation risk inherent to its operations and, as a result it is involved in various litigations or is subject to various obligations arising from legislation in force.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case, as mentioned in this note. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Generally, the first step is to establish the existence of the present obligation followed by the estimation of the amount needed to settle that obligation taking into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgment is required to conclude on these estimates.

In case of litigations:

i. For a single individual litigation the Bank assess whether there is more likely than not to have an unfavourable court decision considering the factors mentioned above; then it estimates the amount at risk; in case there are several scenarios possible with different outcomes, the amount at risk is the weighted average of the amounts at risk for each scenario using the probability distribution for all scenarios (100% is allocated to the possible scenarios) and provisions 100% of the estimated amount;

ii. For multiple litigations, the assessment of “more likely than not” could be substantiated for the entire population using statistics and provision computation to be made at pool level.

In case of obligations arising from various legislation, the bank assesses first if there is no realistic alternative of settling that obligation, and if not, it estimates the amount needed to settle that obligation (using similar approach as above) and books provisions representing 100% of the estimated amount.

Please refer to note 22 and note 38 for more details.

2. Basis of preparation (continued)

f) Segment information

A segment is a component of the Group and Bank:

- That engages in business activity from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and;
- For which distinct financial information is available;

The Group and Bank's segment reporting is based on the following segments: *Retail* including Individuals and Small Business, *Non-retail* including Small and medium enterprises ("SMEs") and Large corporate and *Corporate Center* including: treasury activities, ALM and other categories unallocated to the business lines mentioned above (fixed assets, taxes, equity investments, etc).

3. Summary of significant accounting policies

a) Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the benefits can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

i) Interest and similar income

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as FVOCI, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. The effective interest is applied to the gross carrying amount for assets classified in Stage 1 or 2 and to all financial liabilities. For financial assets classified as Stage 3 or POCI the effective interest rate is applied to the net carrying amount.

The calculation takes into account all contractual terms of the financial instrument and includes any origination fees and incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate. The net carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

ii) Fee and commission income

The Group and Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time are accrued over that period. These fees include asset management, custody and other management and advisory fees.

(ii) Fee income from providing transaction services: Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses. These fees are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

iii) Dividend income

Revenue is recognized when the Group and Bank’s right to receive the payment is established, generally when the shareholders approve the dividend.

iv) Net trading income

Net trading income comprises gains less losses related to assets and liabilities held for trading and derivatives and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences. Interest income from all interest bearing trading financial assets required to be measured at FVPL is recognised part of the net trading income.

3. Summary of significant accounting policies (continued)

a) Recognition of income and expenses (continued)

v) Levies

IFRIC 21 "Levies" clarifies the accounting for a liability to pay a levy. For an entity, the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. Furthermore, if an obligation to pay a levy is triggered when a minimum activity threshold is reached, the corresponding liability is recognised when that minimum activity threshold is reached.
The main related taxes which fall under the provisions of IFRIC 21 are as follows:

- The Bank annual contribution to Deposit Guarantee Scheme is fully recognised in the income statement at 1st January of the year in which the payment is made.
- The Bank annual contribution to the Single Resolution Fund, is fully recognised in the income statement at 1st January of the year in which the payment is made.
- Tax on asset for year 2019 – The tax is based on Ordinance 114/2018 *regarding the establishment of public investments, fiscal and budgetary measures, amending and completion of some normative acts and extension of some deadlines*, as subsequently amended by Ordinance 19/2019. The levy is contingent upon the following "thresholds": profit is recorded for the financial year and the increase in loans portfolio and/or decrease in interest rates are below target levels defined in the Ordinance. Consequently, the Bank recorded as at December 31, 2019 an expense for the entire year, calculated on year-end financial assets balances and based on the "thresholds" levels as at year-end. (please see Note 32 for the tax amount).

b) Financial instruments - recognition

i) Initial recognition and date of recognition

Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank. Other financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers and banks, are initially recognised on the settlement date. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

ii) Measurement categories of financial assets and liabilities

Financial instruments are initially recognised at their fair value including arrangements costs. Trade receivables are measured at the transaction price.

Starting 1 January 2018, in accordance with IFRS 9 classification, the Group classifies financial assets, except for derivatives and equity instruments, in the following measurement categories:

- Fair value through profit and loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

3. Summary of significant accounting policies (continued)

b) Financial instruments – recognition (continued)

Classification and subsequent measurement of financial assets is generally based on the Group business model to manage the assets and the cash flow characteristics of the assets.

The Group and the Bank classify and measure the financial liabilities at amortised cost.

The Bank classifies and measures its derivative and trading portfolio as FVPL.

Starting 1 January 2018, Group measures the equity instruments at fair value through profit and loss. Gains and losses on equity investments measured at fair value through profit and loss are included in the line "Net gains on financial assets measured at fair value through profit and loss" in the statement of profit and loss.

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

c) Financial instruments – classification and measurement

Starting 1 January 2018 the Group classifies its financial assets into one of the following categories based on the assessment of business model and SPPI characteristics, as follows:

- Financial assets that are held for collection of contractual cash flows and cash flows represent solely payments of capital and interest (SPPI) are classified and measured at amortised cost. In this category the Group includes the loans granted to customers, deposits placed with banks, corporate bonds and repurchase transactions part of banking book portfolio.
- Financial assets that are held for collection of contractual cash flows and for selling the assets and the contractual cash flows represent solely payments of capital and interest are measured at fair value through other comprehensive income. Treasury bonds in banking book portfolio are classified and measured at fair value through other comprehensive income.
- Financial assets that are held for trading, regardless of the cash flow characteristics are measured at fair value through profit and loss. In this category the Group includes the sub-portfolio of treasury bonds, placements made to banks and repurchase transaction held for trading.

1) Business model assessment

The business model assessment is one of the two steps to classify financial assets.

The Group's business model reflects how it manages its financial assets in order to generate cash flows; the business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation.

The business model assessment is performed on the basis of scenarios that the Group reasonably expects to occur, without taking 'worst case' or 'stress case' scenarios. The Group assesses the business model for newly originated existing financial assets, considering information about how cash flows were realized in the past (namely before the date of the origination of new assets), along with all other relevant information. This means that there is no 'tainting' concept, but if there is a change in the way that cash flows are realized then this will affect the classification of assets originated after the date of that change.

3. Summary of significant accounting policies (continued)

c) Financial instruments – classification and measurement (continued)

In some circumstances, the Bank separates a portfolio of financial assets into sub-portfolios to reflect how an entity manages them. Those portfolios are split and treated as separate portfolios, provided the assets belonging to each sub-portfolio are separately defined.

2) SPPI test

As a second step of its classification process the Group performs the assessment of the characteristics of the contractual cash flows aiming to identify whether the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" – SPPI test. The SPPI assessment is a one-off exercise and is performed at the initial recognition of the financial asset.

The contractual cash flow characteristics test is designed to screen out financial assets on which the application of the effective interest method either is not viable from a pure mechanical standpoint or does not provide useful information about the uncertainty, timing and amount of the financial asset's contractual cash flows.

The principal for the purpose of applying SPPI test is "the fair value of the asset at initial recognition" and it may change over the life of the financial asset (e.g., if there are repayments of principal).

The most significant elements of interest are typically the consideration for the time value of money and credit risk. Interest can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement.

Unlike the Business model test, the contractual characteristic test on transition is to be performed retrospectively at the date of initial recognition of the contract, not at the date of initial application.

To make the SPPI assessment, the Group applies judgements and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

3) Debt instruments at FVOCI

These instruments largely comprise treasury bonds.

After initial recognition FVOCI financial assets are measured at fair value with gains or losses being recognized as OCI until the investment is derecognized. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. Interest income and foreign exchange gains and losses are recognised in profit and loss.

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

3. Summary of significant accounting policies (continued)

c) Financial instruments –classification and measurement (continued)

4) Derivatives that are not designated accounting hedging instruments

The Group uses derivative financial instruments such as forward currency contracts, currency swaps, currency options, swaps and cross currency swaps on interest rate, as products offered to its clients but also to hedge its risks associated with interest rate, liquidity and exchange rate. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when fair value is negative. Any gains or losses arising from changes in fair value of derivatives that are not designated as hedge accounting instruments are taken directly to profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest swap contracts is determined by reference to market values of similar instruments.

5) Derivatives that are designated accounting hedging instruments

As a policy choice, the Group has also elected to continue to apply the hedge accounting requirements in accordance with IAS 39. The Group and Bank designates certain derivatives held for risk management as hedging instruments in qualifying accounting hedging relationships. The Group and Bank formally documents the relationship between the hedging instruments and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Group and Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value during the period for which the hedge is designated. The actual results of the hedge as recommended by IAS 39 should be in the range of 80-125 percent, but the Group and Bank uses a more prudent approach and the range considered is 88-114 percent.

The Group and Bank uses fair value hedges. When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit and loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

6) Financial assets and financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value.

3. Summary of significant accounting policies (continued)

c) Financial instruments –classification and measurement (continued)

Changes in fair value are recognised in net trading income. Interest income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, repurchase transactions and short positions acquired principally for the purpose of selling or repurchasing in the near term.

7) Repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position as securities and are measured in accordance with the applicable accounting policies. The liability for amounts received under these agreements from banking book portfolio is included in customers' or interbank deposits. The difference between sale and repurchase price is treated as interest expense using the effective yield method. Assets acquired with a corresponding commitment to resell at a specified future date (reverse repos) from the banking book portfolio are recorded as loans and advances.

8) Borrowings

Borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently borrowings are stated at amortized cost using the effective interest rate method. Any discount or premium is integral part of the effective interest rate.

9) Financial guarantees, letter of credits and loan commitments

In the ordinary course of business, the Group and Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances and performance guarantees.

Financial guarantees are initially recognized in 'Other liabilities' line with the amount of the premium received being the instruments' fair value. Subsequent to initial recognition, the Group and Bank's liability under each guarantee is measured at the higher of the amount initially recognised less the cumulative amortisation recognised in the income statement and an ECL provision.

Any increase in the liability relating to financial guarantees is taken to the income statement in 'Credit loss expense'. The premium received is recognized in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, from 1 January 2018, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 40 and in Note 22.

3. Summary of significant accounting policies (continued)

d) Financial assets - derecognition

The Group derecognizes a portfolio of financial assets, a financial asset or a part of a financial asset (herein after called „financial asset") when and only when one of the following conditions is fulfilled:

- The contractual rights to the cash flows expire;
- It transfers the financial asset and the transfer qualifies for derecognition;
- Voluntarily renounces its rights over the financial asset due to the asset being considered irrecoverable or in order to grant a concession to the debtor;
- Significant modification of a financial asset that generate the extinguishment of the existing financial asset and recognition of a new financial asset.

Derecognition due to substantial modification of terms and conditions

In certain circumstances, the Group renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering both quantitative and qualitative factors that are substantially changing the size or the nature of lender's risks associated with the pre-existing loan contract.

If the new terms are substantially different, the Group derecognises the original financial assets and recognises a "new" financial asset. The new financial asset is initially recognized at fair value and the classification and subsequent measurement is reassessed considering the new business model and the contractual cash flows characteristics. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes. All financial assets that are impaired at the date of initial recognition (first origination or re-origination due to significant changes) are classified as purchased or originated credit impaired (POCI).

On initial recognition the difference between transaction price and fair value of new financial asset is recognised in P&L for loans where the fair value is calculated based on observable inputs (loans not impaired at the date of modification) or amortized using effective interest rate for loans where fair value is calculated based on internal estimations (impaired loans at the date of modification).

When assessing the new terms in order to establish if they are significantly modified, the Group considers if the change is made in order to increase recoverability of the pre-existing loan. The renegotiation or modification of the contractual cash flow of an existing financial asset can generate derecognition of the financial asset and the recognition of a new financial asset if the respective changes to the financial asset are significant. Changes made for the purpose of increasing the received cash flows and which are not considered significant change of the contractual characteristics do not generate derecognition.
The following modifications are considered significant contractual changes:

Quantitative criteria:

- interest rate margin modification for floating interest rate and interest rate modification for fixed interest rate higher than 3% over a 12 month period; the threshold is subject to review depending on the market conditions;
- tenor prolongation or reduction for non-revolving financial assets for more than 24 months or over 50% from initial (prior to modification) remaining tenor;

3. Summary of significant accounting policies (continued)

d) Financial assets - derecognition (continued)

Qualitative criteria refer to contractual modifications that are substantially changing the size or the nature of lender's risks associated with the pre-existing loan contract and are applicable to all financial assets:

- change of the denomination currency;
- change of the type of interest (variable or fixed) for performing loans (commercial renegotiation);
- contract changed obligor / counterparty;
- consolidation of two or more loans to one loan (many to 1);
- split of one loan to two or more loans (1 to many);
- modification of an SPPI compliant contract by introducing a features that is non-SPPI or modification of a non-SPPI contract by removing the features that are non-SPPI through commercial renegotiation;
- change of a commercial product or use of the same product but from updated bank commercial offer available at the change date for performing loans (commercial renegotiation);
- renewal of a performing revolving loan (regardless of new tenor) if a substantive risk analysis is performed;

Derecognition other than for substantial modification

A financial asset is derecognized where either:
- The rights to receive cash flows from the assets have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either a) has transferred substantially all the risks and rewards of the asset, or b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially changed, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts are recognized in profit or loss

Write-offs

A write off is performed when the entire loan is deemed uncollectible (very high uncertainty regarding recoverable amount and timeframe). Write-off is not conditioned by the closure of the legal procedures, nor does it imply the forfeit of the bank's claims to the receivables / financial asset. A write off is performed only where the chances of recoveries are remote.

The Bank performs permanent write offs (derecognition) under certain situations, such as:
- the financial assets are considered immaterial, thus do not justify the initiation of the recovery process
- the collaterals which cover the receivables have a recovery value deemed immaterial and no other recovery sources could be identified
- exhaustion of all legal means
- end of the statute of limitation period for enforcement rights, etc.

Any recoveries of previously written-off loans and receivables are recognized as income.

3. Summary of significant accounting policies (continued)

e) Impairment model of financial assets

The Group assesses on an forward-looking basis the expected credit losses ("ECL") for the following categories of financial assets: loans and placed deposits measured at amortised cost, debt instruments measured at fair value to other comprehensive income, loan commitments and financial guarantee contracts, contract assets and trade receivables.

The group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

The ECL calculation considers both the number of days past due recorded by the receivables and the credit risk analysis performed for clients with granted loans.
For contract assets and trade receivables the Group applies the simplified approach for measuring the expected credit losses and recognizes lifetime expected credit losses in accordance to the provisions of IFRS 9 "Financial Instruments". Based on an assessment of historical information the Bank recognizes expected credit loss for contract assets and the trade receivables with more than 90 days past due for the entire exposure amount.

Overview of the ECL principles

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

Consequently, financial assets subject to loss allowances can be classified in Stage 1, Stage 2, Stage 3 or POCI, as described below:

- **Stage 1** when there is insignificant or no impairment of credit quality since initial recognition; Loss allowance shall be equal to 12mECL
- **Stage 2** when a financial asset shown significant increase in credit risk since initial recognition, though not impaired; Loss allowance shall be equal to LTECL
- **Stage 3** financial assets classified as impaired; Loss allowance is represented by LTECL
- **POCI** financial assets that are credit impaired on initial recognition. Loss allowance shall be equal to LTECL. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

The expected credit loss may be calculated either individually or collectively in accordance with IFRS 9 perspective. The Bank model for computing the expected credit losses is:

- Individual or collective assessment for clients in Stage 3
- Collective assessment for clients in Stage 2 or Stage 1

3. Summary of significant accounting policies (continued)

e) Impairment model of financial assets (continued)

Staging criteria

The Bank has established criteria to perform the assessment of significant increase in credit risk since initial recognition on a monthly basis, considering both relative and absolute thresholds. During 2020 the relative criteria for the identification of significant increase in credit risk (i.e. doubling of PD), was revised to include also an absolute threshold for the net increase in PD since origination, determined for the main portfolios of the Bank. The threshold ranges from 0.009 to 0.065.

- For Non Retail portfolio (Corporate and Public Authorities), the staging criteria are:
  Stage 3: criteria as provided by EBA default definition as presented below.
  Stage 2: assessment of
  Relative threshold : Doubling of the lifetime PD since origination and the absolute increase exceeds a pre-defined quantitative threshold
  Absolute thresholds: Clients rated with the last three risk classes in term of risk, Clients with expired ratings more than three months, Clients not rated, Healthy clients with restructured facilities in probation and DPD < 30, Clients with DPD > 30
  Stage 1: include all clients not classified in Stage 2 or Stage 3 based on the above conditions

- For Small Business, the staging criteria are:
  Stage 3: criteria as provided by EBA default definition as presented below
  Stage 2: assessment of
  Relative threshold: Doubling of the lifetime PD since origination and the absolute increase exceeds a pre-defined quantitative threshold
  Absolute thresholds: Clients rated with the last three risk classes in term of risk, Healthy clients with restructured facilities in probation and DPD < 30, Clients with DPD > 30
  Stage 1: include all clients not classified in Stage 2 or Stage 3 based on the above conditions

- For Individuals and Professionals , the staging criteria are:
  Stage 3: criteria as provided by EBA default definition as presented below
  Stage 2: assessment of
  Relative threshold: Doubling of the lifetime PD since origination and the absolute increase exceeds a pre-defined quantitative threshold
  Absolute thresholds: Clients rated with the last two risk classes in term of risk, healthy clients with restructured facilities in probation and DPD < 30, Clients with DPD > 30
  Stage 1: include all clients not classified in Stage 2 or Stage 3 based on the above conditions

In accordance with EBA default definition, the main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days, whether a severe alteration in the counterparty's financial standing is observed, entailing a high probability that the debtor will not be able to fully meet its credit obligations, whether concessions in the form of restructuring were consented under the circumstances of financial hardship experienced by the debtor, whether legal procedures were initiated or the debtor was transferred to specialized recovery structures (regardless of the number of days past due).

ECL calculation techniques:

The key elements of ECL calculation are outlined below:
- PD *Probability of Default* models are based on a two-step approach: building of the through-the-cycle (TTC) marginal PD curve and Adjustment of the TTC curve to incorporate point in time and forward looking information;

3. Summary of significant accounting policies (continued)

e) Impairment model of financial assets (continued)

- LGD *Loss Given Default* model takes into account cashbacks, portfolio sales and collateral recoveries;
- EAD Exposure at default estimation at each time step is based on internally modelled Credit Conversion Factor (“CCF”).
- Point in time and forward looking transformation for ECL parameters;

Forward-looking information

Expected losses are computed based on three macroeconomic scenarios: optimistic, base and stress scenario. Consequently, expected credit losses are influenced both by changes in portfolio quality as well as changes in macroeconomic projections. Macroeconomic models are sensitive to GDP, RON/EUR exchange rate and unemployment rate. Final ECL is derived using the weighted average of the three scenarios (based on their probabilities of occurrence).

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, the Bank assesses the need/opportunity for additional amounts of provisions in the form of overlays, in order to address:

- Sector of activity specific risks (adjustment of ECL on sectors that have a different default behaviour from the whole calibration segment)
- Visible macroeconomic threat impossible to be captured by the models (typically, when the predicted stress did not occur in the observed past serving as a base for models)

The overlays booked by the Bank represent 5.5% of total stock of expected credit losses.

Impairment/default principles

Impairment and recoverability are assessed, measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for impaired loans and receivables that are not individually significant. Loans and receivables for which an objective evidence of impairment was not identified, regardless the loans are individually significant or not, are included in a portfolio for collective impairment assessment. The carrying amount of the asset is reduced to its estimated recoverable amount through the use of an allowance account. The loss amount is recognised into profit and loss. If the amount of the impairment subsequently decreases due to an event occurring after the impairment, the release of the allowance is credited to the income statement.

The Group implemented the definition of the default status according to the criteria set by EBA. All the PD curves used as input elements in the ECL calculation were calibrated by applying the EBA definition retroactively, in order to ensure the consistency regarding the entry into default status at the time of calibration.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, letters of guarantees, real estate, etc.

Real estate collaterals are regularly valuated. Their market value is estimated by certified evaluators that can be either external or internal valuators. Depending on the collateral type, revaluation is performed:

- Yearly, for commercial / industrial / agricultural real-estate, plots of land

(Amounts in thousands RON)

3. Summary of significant accounting policies (continued)

e) Impairment model of financial assets (continued)

- At least once every 3 years, for residential real estate or with higher frequency if the real estate market displays a significant negative evolution

The value of collateral affects the calculation of ECLs through LGD parameter, which is an estimate of the loss arising in the case where a default occurs at a given time, taking into account all the cash flows collected from the client, as well as the recovery value of collaterals (net of any cost and additional losses), by incorporating the effect of time value of money. The recovery value of a collateral is determined by applying discount coefficients to its market value when computing the provisions on individual assessment basis.

f) Foreign currency translation

Transactions in foreign currencies are initially recorded using the functional currency rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The exchange rates of the currencies with the most significant impact on the Group and Bank's consolidated and separate financial statements as of December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
RON/ EUR	4.8694	4.7793
RON/ USD	3.9660	4.2608

g) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short-term placements at other banks, excluding amounts in transit and loans to banks with more than 90 days maturity from the date of acquistion. The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

h) Leases

1) Policy applicable before 1 January 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessor

Finance leases are those which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item and are recognized as assets at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are allocated both to the principal and the interest income on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

3. Summary of significant accounting policies (continued)

h) Leases (continued)

1) Policy applicable before 1 January 2019 (continued)

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in income on a straight-line basis over the lease term.

Group as a lessee

Leases which do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term. Rents payable are recognized as an expense in the period in which they are incurred.

2) Policy applicable as of 1 January 2019

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Bank elected to apply the exception of ROU calculation for contracts under one year at the date of first time application and for leases of intangible assets. For short-term leases or leases for which the underlying asset is of low value, the related lease payments are recognized as an expense on a straight-line basis over the lease term (please see Note 32).

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within Note 14.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments can include fixed payments, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments can also include payments of penalties for terminating the lease.

Group as a lessor

Accounting policies as a lessor remained unchanged compared to policy applied before 1 January 2019.

3. Summary of significant accounting policies (continued)

i) Investment in associates and joint ventures

An associate is an enterprise in which the Group and Bank exercises significant influence and is neither a subsidiary nor a joint venture.
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group and Bank recognizes its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates.
Associates and joint venture are accounted using the equity method for consolidation purposes and cost method for separate financial statements.

Under the equity method, an investment in an associate and joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group and Bank's share of net assets of the associate or joint venture. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not amortized. The Group and Bank does an assessment of any additional impairment loss with respect to the net investment in associate or joint venture.

The income statement reflects the share of the results of operations of associates and joint ventures. Where there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The reporting dates of associates and joint venture and the Group are identical and the associates' or joint ventures' major accounting policies conform to those used by the Group for like transactions and similar events in similar circumstances.

j) Tangible assets

The cost of tangible asset is recognized as an asset if, and only if: (a) it is probable that future economic benefits associated with the item will flow to the Group; and (b) the cost of the item can be measured reliably.

Buildings and other tangible assets are stated at cost less accumulated depreciation and any impairment loss.

In accordance with IAS 29 "Reporting in Hyperinflationary Economies", tangible assets have been restated, as appropriate, by applying the change in the consumer price index from the date of acquisition through December 31, 2003.

Depreciation is computed on a straight-line basis over the estimated useful life of the asset, as stated below:

Asset type	*Years*
Buildings and special constructions	10-40
Computers and equipment	3-5
Furniture and other equipment	15
Vehicles	5

Land is not depreciated. Construction-in-progress is not depreciated until used. Expenses for repairs and maintenance are charged to operating expenses as incurred. Subsequent expenditure on property and equipment is recognized as an asset under the same general recognition principle used at initial recognition.

3. Summary of significant accounting policies (continued)

j) Tangible assets (continued)

The carrying values of tangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate the carrying value may not be recoverable. Where the carrying amount of a tangible asset is greater than the estimated recoverable amount, it is written down to its recoverable amount.
Tangible assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

k) Investment properties

Assets are classified as investment property if the property (land or a building - or part of a building - or both) is held (by the Bank or Group as owner) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or for administrative purposes; or (b) sale in the ordinary course of business.

Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party, or ending of construction or development. Transfers are made from investment property when and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale. The depreciation of buildings included in investment properties is computed using the linear method over the useful lives as presented in note 3.j).

l) Non-current assets held for sale

Non-current assets for which the carrying amount is estimated to be recovered principally through a sale transaction rather than continuing use are classified as held for sale.

Assets held for sale are initially and subsequently measured at the lower of the carrying amount and the fair value at the date of the measurement. For any decrease of the fair value below the carrying amount, impairment is recognised into profit and loss accounts. The increase of the fair value of a held for sale asset is accounted for as an impairment release. Fair value increase is recognised up to the level of the initial carrying amount of the asset.

On the period an asset is classified as held for sale no depreciation charged is recognised. An assets that ceases to be classified as held for sale is measured at the lower of the carrying amount before the asset was classified as held for sale adjusted by the depreciation that would have been recognised had the asset was not classified as held for sale and its recoverable amount.

3. Summary of significant accounting policies (continued)

m) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group and Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of cash-generating unit is less than the carrying amount, an impairment loss is recognized.

n) Intangible assets

Intangible assets are measured initially at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. All intangible assets of the Group and Bank carried as of December 31, 2020 and 2019 have finite useful lives and are amortized on a straight-line basis over the estimated useful life of up to 5 years. The amortization period and the amortization method are reviewed at least at each financial year end.

At each statement of financial position date or whenever events or changes in circumstances indicate the carrying value may not be recoverable, intangibles are reviewed for impairment. Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down to its recoverable amount by recognising impairment.

o) Employee benefits

Short-term employee benefits:
Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expense when services are rendered.

Social Security Contributions:
The Group and its subsidiaries as well as its employees are legally obliged to make contributions described in the financial statements as social security contributions to the National Pension Fund, managed by the Romanian State Social Security (a defined contribution plan financed on a pay-as-you-go basis). The Group and Bank has no legal or constructive obligation to pay future benefits. Its only obligation is to pay the contributions as they fall due. If the members of the Romanian State Social Security plan cease to be employed by either the Group or its subsidiary, there will be no obligation on the Group to pay the benefits earned by these employees in previous years. The Group and Bank’s contributions are included in salaries and related expenses.

Post-employment benefits:
The Group and Bank has a contractual obligation to pay to retiring employees a benefit calculated taking into account the salary at the date of retirement and the number of years served by the individual. The cost of providing benefits under defined benefit plans is estimated annually using the projected unit credit actuarial valuation method and is recognized to the income statement on an accruals basis. Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) or differences between actuarial assumptions and real performance are recognized as actuarial gains and losses.

Actuarial gains and losses, excluding amounts expensed as net interest on the net defined benefit liability are components used to re-measure the net defined benefit liability. These components are immediately and fully recognised as unrealised gains and losses and presented under Reserves from defined pension plan.

3. Summary of significant accounting policies (continued)

o) Employee benefits (continued)

These items are subsequently never reclassified in income statement but transferred to retain earnings.

Where a new or amended plan comes into force, the past service cost is immediately recognized in profit or loss.

An annual charge is recorded under Personnel expenses for defined benefit plans, consisting of:
- the additional entitlements vested by each employee (current service cost);
- past service cost resulting from a plan amendment or a curtailment;
- the financial expense resulting from the discount rate (net interest on the net defined benefit liability);
- the settlement of plans.

Share–based payment transactions:

Employees (including senior executives) of the Group and Bank receive remuneration in the form of SG share–based payment transactions, whereby employees render services as consideration for equity instruments (‘equity–settled transactions’) and Group Societe Generale attains certain ratios. The cost of equity–settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘the vesting date’).

Other benefits

The Bank also grants to all employees having a seniority in the Bank higher than 3 years an annual contribution to a private pension fund (Pillar 3) in total amount of EUR 200 /year/employee.

p) Taxation

The current tax is the amount of income taxes payable in respect of the taxable profit, computed in accordance with Romanian tax rules and accrued for in the period to which it relates.

Deferred income tax liabilities are recognized for all taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts at the statement of financial position date for financial reporting purposes, which will result in taxable amounts in future periods.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unutilized tax losses to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and carry forward of unused tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the amount that is expected to be paid to or recovered from the tax authorities after taking into account the tax rates and legislation that have been enacted or substantially enacted until the statement of financial position date. Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists. Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

3. Summary of significant accounting policies (continued)

q) Provisions

Provisions are recognized when the Group and Bank has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as borrowing cost.

r) Contingencies

Contingent liabilities are not recognized in the financial statements but they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

s) Earnings per share

Basic earnings per share are calculated by dividing net profit/ (loss) for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2020 and 2019 there were no dilutive equity instruments issued by the Group and Bank.

t) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Group and Bank's shareholders.

u) Related parties

Parties are considered related with the Group and Bank when one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party in making financial and operating decisions. Related party transaction represents a transfer of resources or obligations between related parties, regardless of whether a price is charged.

v) Subsequent events

Post - balance sheet events that provide additional information about the Group and Bank's position at the statement of financial position (adjusting events), or those that indicate that the going concern assumption is not appropriate are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when significant.

4. Segment information

The segments used for management purposes are based on customer type and size, products and services offered as follows:

In Retail (Individuals & Small Business) category the following customer's segments are identified:

- Individuals – the Bank provides individual customers with a range of banking products such as: saving and deposits taking, consumer and housing loans, overdrafts, credit card facilities, funds transfer and payment facilities, etc.
- Small business – business entities with annual turnover lower than EUR 1 million and having an aggregated exposure at group level less than EUR 0.3 million. Standardised range of banking products is offered to small companies and professional: saving and deposits taking, loans and other credit facilities, etc.

Retail customers include clients with similar characteristics in terms of financing needs, complexity of the activity performed and size of business for which a range of banking products and services with medium to low complexity is provided.

In Non –Retail category the following customer's segments are identified:

- Small and medium enterprises (companies with annual turnover between EUR 1 million and EUR 50 million and the aggregated exposure at group level higher than EUR 0.3 million);
- Large corporate (corporate banking and companies with annual turnover higher than 50 million EUR, municipalities, public sector and other financial institutions).

The Bank provides these customers with a range of banking products and services, including saving and deposits taking, loans and other credit facilities, transfers and payment services, provides cash-management, investment advices, securities business, project and structured finance transaction, syndicated loans and asset backed transactions.

The Corporate Center includes: treasury activities, ALM and other categories unallocated to Retail and Non-Retail business lines.

The Executive Committee monitors the activity of each segment separately for the purpose of making decisions about resource allocation and performance assessment.

(Amounts in thousands RON)

4. Segment information (continued)

Group

	December 31, 2020				December 31, 2019			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	**63,557,745**	**22,108,317**	**8,601,580**	**32,847,847**	**57,770,504**	**22,291,550**	**8,993,984**	**26,484,970**
Loans and advances to customers, net & Finance lease receivables	30,709,897	22,108,317	8,601,580	-	31,285,534	22,291,550	8,993,984	-
Other assets	32,847,847	-	-	32,847,847	26,484,970	-	-	26,484,970
Total liabilities	**63,557,745**	**33,708,531**	**16,249,223**	**13,599,991**	**57,770,504**	**30,352,256**	**15,546,495**	**11,871,753**
Due to customers	49,957,754	33,708,531	16,249,223	-	45,898,751	30,352,256	15,546,495	-
Other liabilities	13,599,991	-	-	13,599,991	11,871,753	-	-	11,871,753

Bank

	December 31, 2020				December 31, 2019			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	**61,634,585**	**21,096,342**	**7,776,679**	**32,761,564**	**55,853,239**	**21,283,853**	**8,182,927**	**26,386,459**
Loans and advances to customers, net	28,873,021	21,096,342	7,776,679	-	29,466,780	21,283,853	8,182,927	-
Other assets	32,761,564	-	-	32,761,564	26,386,459	-	-	26,386,459
Total liabilities	**61,634,585**	**33,708,531**	**16,443,595**	**11,482,459**	**55,853,239**	**30,352,256**	**15,687,393**	**9,813,590**
Due to customers	50,152,126	33,708,531	16,443,595	-	46,039,649	30,352,256	15,687,393	-
Other liabilities	11,482,459	-	-	11,482,459	9,813,590	-	-	9,813,590

(Amounts in thousands RON)

4. Segment information (continued)

Group

	2020				2019			
	Total	**Retail**	**Non retail**	**Corporate Center**	**Total**	**Retail**	**Non retail**	**Corporate Center**
Net interest income	2,086,928	1,390,394	452,123	244,411	2,150,362	1,404,587	452,820	292,955
Fees and commissions, net	711,416	506,277	213,603	(8,464)	805,613	629,642	183,636	(7,665)
Total non-interest income	289,662	85,939	74,919	128,804	313,933	95,136	83,900	134,896
Operating income	**3,088,006**	**1,982,610**	**740,645**	**364,751**	**3,269,908**	**2,129,365**	**720,356**	**420,187**
Total operating expenses	**(1,588,007)**	**(1,155,497)**	**(393,043)**	**(39,467)**	**(1,677,537)**	**(1,208,466)**	**(430,717)**	**(38,354)**
Cost of risk	(352,651)	(316,004)	(21,814)	(14,833)	203,673	(176,862)	395,183	(14,648)
Profit before income tax	**1,147,348**	**511,109**	**325,788**	**310,451**	**1,796,044**	**744,037**	**684,822**	**367,184**
Total income tax	(184,491)	(82,146)	(52,361)	(49,984)	(296,889)	(123,018)	(113,227)	(60,644)
Profit for the period	**962,857**	**428,963**	**273,427**	**260,467**	**1,499,155**	**621,020**	**571,595**	**306,540**
Cost Income Ratio	**51.4%**	**58.3%**	**53.1%**	**10.8%**	**51.3%**	**56.8%**	**59.8%**	**9.1%**

(Amounts in thousands RON)

4. Segment information (continued)

Bank

	2020				2019			
	Total	**Retail**	**Non retail**	**Corporate Center**	**Total**	**Retail**	**Non retail**	**Corporate Center**
Net interest income	1,956,653	1,302,877	403,724	250,052	2,023,513	1,318,288	407,349	297,877
Fees and commissions, net	674,289	476,437	210,131	(12,279)	767,205	594,101	179,841	(6,737)
Total non-interest income	295,590	85,597	70,792	139,201	379,420	94,482	79,081	205,857
Operating income	**2,926,531**	**1,864,910**	**684,647**	**376,974**	**3,170,137**	**2,006,868**	**666,271**	**496,997**
Total operating expenses	**(1,481,372)**	**(1,072,869)**	**(369,377)**	**(39,126)**	**(1,580,382)**	**(1,138,349)**	**(404,024)**	**(38,009)**
Cost of risk	(312,900)	(110,379)	(90,334)	(112,187)	223,861	(156,188)	394,713	(14,664)
Profit before income tax	**1,132,260**	**681,662**	**224,936**	**225,661**	**1,813,617**	**712,332**	**656,960**	**444,324**
Total income tax	(180,695)	(108,785)	(35,897)	(36,013)	(285,094)	(111,976)	(103,272)	(69,846)
Profit for the period	**951,565**	**572,877**	**189,039**	**189,648**	**1,528,523**	**600,356**	**553,688**	**374,479**
Cost Income Ratio	**50.6%**	**57.5%**	**54.0%**	**10.4%**	**49.9%**	**56.7%**	**60.6%**	**7.6%**

(Amounts in thousands RON)

5. Cash in hand

	Group		Bank	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Cash in vaults	1,317,039	1,496,734	1,317,035	1,496,701
Cash in ATM	572,516	580,639	572,516	580,639
Total	**1,889,556**	**2,077,373**	**1,889,552**	**2,077,340**

6. Due from Central Bank

	Group		Bank	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Current accounts	5,223,833	3,765,134	5,223,833	3,765,134
Deposits	-	1,000,139	-	1,000,139
Total	**5,223,833**	**4,765,273**	**5,223,833**	**4,765,273**

7. Due from banks

	Group		Bank	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Deposits at Romanian banks	31,642	116,969	31,641	116,968
Deposits at foreign banks	3,285,359	2,655,043	3,268,163	2,637,231
Current accounts at Romanian banks	1	30	1	28
Current accounts at foreign banks	706,131	637,553	706,131	637,553
Reverse repo	1,493,708	-	1,493,708	-
Total	**5,516,842**	**3,409,594**	**5,499,644**	**3,391,780**

The Due from banks portfolio is classified as Stage 1. The Group and Bank registered an impairment allowance for Due from banks of 91 as at December 31, 2020 (December 31, 2019: 252).

8. Derivative and other financial instruments held for trading

Group

	December 31, 2020		
	Assets	**Liabilities**	**Notional (total)**
Interest rate swaps	81,970	22,571	5,610,596
Currency swaps	11,323	18,604	2,957,717
Forward foreign exchange contracts	23,724	17,399	1,610,565
Options	13,273	13,357	3,206,095
Total derivative financial instruments	**130,290**	**71,931**	**13,384,973**

	December 31, 2020	
	Assets	**Liabilities**
Treasury notes	1,274,558	147,527
Trading loans/deposits	-	371,210
Reverse repo/Repo	995,517	9,001
Total financial assets and liabilities held for trading	**2,270,075**	**527,738**

(Amounts in thousands RON)

8. Derivative and other financial instruments held for trading (continued)

Group	December 31, 2019		
	Assets	Liabilities	Notional (total)
Interest rate swaps	84,780	29,903	3,676,254
Currency swaps	11,352	5,164	3,980,119
Forward foreign exchange contracts	7,436	10,887	1,466,409
Options	23,448	23,569	5,201,684
Total derivative financial instruments	**127,016**	**69,523**	**14,324,466**

	December 31, 2019	
	Assets	Liabilities
Treasury notes	1,067,010	-
Trading deposits	50,006	140,007
Total financial assets and liabilities held for trading	**1,117,016**	**140,007**

Bank

	December 31, 2020		
	Assets	Liabilities	Notional (total)
Interest rate swaps	81,970	22,571	5,610,596
Currency swaps	11,323	18,604	2,957,717
Forward foreign exchange contracts	23,724	17,399	1,610,565
Options	13,273	13,357	3,206,095
Total derivative financial instruments	**130,290**	**71,931**	**13,384,973**

	December 31, 2020	
	Assets	Liabilities
Treasury notes	1,274,558	147,527
Trading loans/deposits	-	371,210
Reverse repo/Repo	995,517	9,001
Total financial assets and liabilities held for trading	**2,270,075**	**527,738**

Bank	December 31, 2019		
	Assets	Liabilities	Notional (total)
Interest rate swaps	84,780	29,903	3,676,254
Currency swaps	11,352	5,164	3,980,119
Forward foreign exchange contracts	7,473	10,887	1,487,916
Options	23,448	23,569	5,201,684
Total derivative financial instruments	**127,053**	**69,523**	**14,345,973**

	December 31, 2019	
	Assets	Liabilities
Treasury notes	1,067,010	-
Trading deposits	50,006	140,007
Total financial assets and liabilities held for trading	**1,117,016**	**140,007**

8. Derivative and other financial instruments held for trading (continued)

The Group continue to apply hedge accounting (fair value hedge) as at December 31, 2020 and has 4 hedging relationships (3 hedging relationships as at December 31, 2019).

- On September 30, 2013, the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 20.82 million EUR with a fixed interest rate of 1.058%. The remaining period for the hedging instrument is of 0.25 years.

- On June 30, 2018, the Bank initiated two macro fair value hedges one in EUR and one in USD of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged items are represented by the portion of the current accounts portfolio equal to the swaps nominal values of:

  - 144 million EUR yearly with a fixed interest rate of 0.42%, the remaining period of 7.5 years.
  - 48 million EUR yearly with a fixed interest rate of -0.0125%, the remaining period of 2.5 years.
  - 50 million EUR yearly with a fixed interest rate of 0.171%, the remaining period of 4.5 years.
  - 42 million EUR yearly with a fixed interest rate of -0.0125%; the remaining period of 2.5 years.
  - 32 million USD yearly with a fixed interest rate of 2.813%; he remaining period of 7.5 years.
  - 18 million USD yearly with a fixed interest rate of 2.765%; the remaining period of 2.5 years.

- On October 30, 2020, the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 350 million EUR with a fixed interest rate of -0.403%. The remaining period for the hedging instrument is of 9.75 years.

(Amounts in thousands RON)

8. Derivative and other financial instruments held for trading (continued)

All hedging relationships have quarterly settlement periods for both fixed and variable legs. The hedging relationships were effective throughout the reporting period.

Main source of hedge ineffectiveness that might be expected to affect the hedging relationships is the amortization model of current accounts. However, the amortization of the hedged item is based on a behavioral ALM model that is reviewed / back tested on a yearly basis. In order to avoid inefficiency generated by the underestimated amortization of the current accounts, maximum 70% of the current accounts portfolio per each time band is designated as hedged item.

The hedging relationship were designated on the date of the IRS origination. At that date, the theoretical derivative was built as to match the interest rate behavior of the current accounts, the hedged item (i.e. a spread was added to the variable leg so that the fair value of the theoretical swap on the designation date to be zero). Consequently no other major sources of ineffectiveness were identified.

As at December 31, 2020, the accumulated amount of fair value hedge adjustments on the current accounts hedged item are included in the carrying amount and presented in due to customer line in the statement of financial position and amounts to 50,412. The change in value of the hedged item during the period is explained by loss from revaluation in amount of -12,278 and by the exchange rate evolution effect in amount of 855. During 2020, the difference between the hedging gains or losses of the hedging instrument and the hedged item recognized in profit or loss amounts -504.

The fair value of hedging instrument for Group and Bank was the following:

	December 31, 2020		
	Assets	**Liabilities**	**Notional (total)**
Interest rate swaps	47,931	1,132	3,386,881

	December 31, 2019		
	Assets	**Liabilities**	**Notional (total)**
Interest rate swaps	35,465	-	2,089,274

Forwards
Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps
Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts concluded by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross–settled.

(Amounts in thousands RON)

8. Derivative and other financial instruments held for trading (continued)

Options
Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Bank purchases and sells options in the over-the-counter markets.

Options purchased by the Bank provide the Bank with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option.

The Bank is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. Options written by the Bank provide the purchaser the opportunity to purchase from or sell to the Bank the underlying asset at an agreed-upon value either on or before the expiration of the option. The options are kept in order to neutralize the customer deals.

Trading treasury notes are treasury discount notes and coupon bonds held for trading purposes. All the treasury notes in Bank's portfolio are issued by the Romanian Government in RON, EUR and USD.

9. Loans and advances to customers

	Group		Bank	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Loans, gross	31,534,050	31,883,889	30,633,863	30,955,516
Loans impairment	(1,891,052)	(1,591,020)	(1,760,842)	(1,488,736)
Total	**29,642,998**	**30,292,869**	**28,873,021**	**29,466,780**

The structure of loans is the following:

	Group		Bank	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Working capital loans	3,836,151	4,213,769	3,836,151	4,213,769
Loans for equipment	2,676,540	2,655,312	2,459,487	2,428,421
Trade activities financing	914,760	1,030,273	914,760	1,030,273
Acquisition of real estate, including mortgage for individuals	13,040,071	12,879,426	13,040,071	12,879,426
Consumer loans	9,121,155	9,193,807	8,438,022	8,492,325
Other	1,945,373	1,911,302	1,945,373	1,911,302
Total	**31,534,050**	**31,883,889**	**30,633,863**	**30,955,516**

During 2020 the gross loan portfolio decreased by 322 million RON as compared with 31 December 2019.

As at 31 December 2020 the Bank's gross loan portfolio and movements were distributed as follows:

- Stage 1: 20,968 million RON, with a 3,273 million decrease compared to 31 December 2019.
- Stage 2: 8,540 million RON, with a 3,055 million RON increase compared to 31 December 2019.
- Stage 3: 1,067 million RON, with a 97 million RON decrease compared to 31 December 2019.
- POCI: 59 million RON, with a 6 million RON decrease compared to 31 December 2019.

The main movements on gross exposure value are along the following dimensions:

(Amounts in thousands RON)

9. Loans and advances to customers (continued)

- The net increase in Stage 2 portfolio reflects primarily the transfers from Stage 1 in the context of revised macroeconomic expectation, which have impacted the forward looking ECL models. Additionally, the Group has taken on a prudent approach with regard to debtors benefitting from moratoria and operating/ employed in sensitive economic sectors, further resulting in transfers from Stage 1 to Stage 2.

- The Stage 3 portfolio was characterized by a net inflow of 251 MRON from performing portfolios, offset by good recovery performance on already defaulted portfolios of 189 MRON, and portfolio sale and write-off in amount of 159 MRON.

As of December 31, 2020 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 2,854,386 (December 31, 2019: 3,383,804), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts for the Group and Bank to 3,491,353 (December 31, 2019: 3,275,635).

Impairment allowance movement

Group

	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2020	177,032	331,521	573,551	3,391	**1,085,494**
New assets originated or purchased	69,156	18,390	794	19	**88,359**
Assets derecognised or repaid (excluding write offs)	(21,863)	(20,823)	(69,823)	(286)	**(112,796)**
Net provision movement for assets that did not change classification	(53,319)	81,678	8,691	1,147	**38,197**
Movements due to change in classification	(35,204)	183,091	152,477	296	**300,659**
Amounts written off	-	-	(95,839)	(631)	**(96,470)**
Other adjustments	451	3,377	3,030	19	**6,877**
Impairment allowance as at 31 December 2020	**136,253**	**597,234**	**572,879**	**3,955**	**1,310,321**

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2020	36,035	64,211	366,292	38,987	**505,526**
New assets originated or purchased	29,587	25,036	1,349	52	**56,024**
Assets derecognised or repaid (excluding write offs)	(10,062)	(5,557)	(38,565)	(247)	**(54,431)**
Net provision movement for assets that did not change classification	20,161	6,340	(38,141)	(3,471)	**(15,112)**
Movements due to change in classification	(4,218)	67,169	48,583	(5,521)	**106,012**
Amounts written off	-	(0)	(19,700)	(338)	**(20,038)**
Other adjustments	1,109	511	1,089	40	**2,749**
Impairment allowance as at 31 December 2020	**72,612**	**157,710**	**320,906**	**29,502**	**580,730**

	Total				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2020	213,067	395,732	939,843	42,378	**1,591,020**
New assets originated or purchased	98,743	43,426	2,143	71	**144,383**
Assets derecognised or repaid (excluding write offs)	(31,925)	(26,380)	(108,388)	(533)	**(167,226)**
Net provision movement for assets that did not change classification	(33,158)	88,018	(29,451)	(2,324)	**23,085**
Movements due to change in classification	(39,422)	250,260	201,059	(5,226)	**406,671**
Amounts written off	-	(0)	(115,539)	(969)	**(116,508)**
Other adjustments	1,560	3,888	4,120	59	**9,628**
Impairment allowance as at 31 December 2020	**208,865**	**754,944**	**893,787**	**33,457**	**1,891,052**

(Amounts in thousands RON)

9. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank

	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2020	157,955	322,838	503,580	3,391	**987,765**
New assets originated or purchased	69,055	18,342	794	19	**88,211**
Assets derecognised or repaid (excluding write offs)	(21,835)	(20,767)	(69,804)	(286)	**(112,692)**
Net provision movement for assets that did not change classification	(53,136)	81,591	5,796	1,147	**35,397**
Movements due to change in classification	(36,045)	183,438	129,186	296	**276,875**
Amounts written off	-	-	(95,545)	(631)	**(96,176)**
Other adjustments	444	3,377	3,011	19	**6,851**
Impairment allowance as at 31 December 2020	**116,439**	**588,819**	**477,017**	**3,955**	**1,186,230**

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2020	35,587	61,187	365,211	38,987	**500,971**
New assets originated or purchased	29,349	24,695	1,349	52	**55,445**
Assets derecognised or repaid (excluding write offs)	(9,999)	(5,382)	(38,565)	(247)	**(54,192)**
Net provision movement for assets that did not change classification	21,914	5,227	(39,660)	(3,471)	**(15,990)**
Movements due to change in classification	(5,811)	68,682	48,401	(5,521)	**105,750**
Amounts written off	-	(0)	(19,700)	(338)	**(20,038)**
Other adjustments	1,074	486	1,065	40	**2,665**
Impairment allowance as at 31 December 2020	**72,115**	**154,895**	**318,100**	**29,502**	**574,612**

	Total				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2020	193,542	384,025	868,791	42,378	**1,488,736**
New assets originated or purchased	98,405	43,037	2,143	71	**143,656**
Assets derecognised or repaid (excluding write offs)	(31,834)	(26,149)	(108,369)	(533)	**(166,885)**
Net provision movement for assets that did not change classification	(31,222)	86,818	(33,865)	(2,324)	**19,407**
Movements due to change in classification	(41,856)	252,120	177,587	(5,226)	**382,625**
Amounts written off	-	(0)	(115,245)	(969)	**(116,214)**
Other adjustments	1,519	3,862	4,075	59	**9,516**
Impairment allowance as at 31 December 2020	**188,554**	**743,714**	**795,117**	**33,457**	**1,760,842**

(Amounts in thousands RON)

9. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Group

	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2019	161,473	276,981	680,251	3,648	**1,122,353**
New assets originated or purchased	69,640	17,832	24,862	188	**112,522**
Assets derecognised or repaid (excluding write offs)	(25,289)	(21,196)	(128,969)	(370)	**(175,823)**
Net provision movement for assets that did not change classification	(30,033)	38,966	14,956	264	**24,153**
Movements due to change in classification	229	16,544	130,317	98	**147,189**
Amounts written off	-	-	(152,265)	(452)	**(152,717)**
Other adjustments	1,013	2,392	4,399	14	**7,818**
Impairment allowance as at 31 December 2019	**177,032**	**331,521**	**573,551**	**3,391**	**1,085,494**

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2019	82,662	114,961	611,178	42,006	**850,807**
New assets originated or purchased	25,032	21,422	-	-	**46,454**
Assets derecognised or repaid (excluding write offs)	(7,562)	(12,692)	(31,095)	(2,181)	**(53,530)**
Net provision movement for assets that did not change classification	(55,986)	(44,063)	(40,322)	1,487	**(138,884)**
Movements due to change in classification	(8,485)	(16,235)	23,095	-	**(1,625)**
Amounts written off	-	-	(200,275)	(2,922)	**(203,197)**
Other adjustments	374	818	3,711	597	**5,501**
Impairment allowance as at 31 December 2019	**36,035**	**64,211**	**366,292**	**38,987**	**505,526**

	Total				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2019	244,135	391,943	1,291,429	45,653	**1,973,160**
New assets originated or purchased	94,672	39,254	24,862	188	**158,976**
Assets derecognised or repaid (excluding write offs)	(32,851)	(33,888)	(160,064)	(2,550)	**(229,353)**
Net provision movement for assets that did not change classification	(86,019)	(5,097)	(25,366)	1,751	**(114,731)**
Movements due to change in classification	(8,256)	309	153,412	98	**145,564**
Amounts written off	-	-	(352,540)	(3,374)	**(355,914)**
Other adjustments	1,387	3,211	8,110	611	**13,319**
Impairment allowance as at 31 December 2019	**213,067**	**395,732**	**939,843**	**42,378**	**1,591,020**

(Amounts in thousands RON)

9. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank

	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2019	142,803	267,941	613,505	3,648	**1,027,898**
New assets originated or purchased	68,326	15,331	-	188	**83,845**
Assets derecognised or repaid (excluding write offs)	(25,281)	(21,162)	(128,969)	(370)	**(175,781)**
Net provision movement for assets that did not change classification	(29,998)	38,926	14,129	264	**23,320**
Movements due to change in classification	1,095	19,413	130,375	98	**150,981**
Amounts written off	-	-	(129,857)	(452)	**(130,309)**
Other adjustments	1,010	2,389	4,398	14	**7,811**
Impairment allowance as at 31 December 2019	**157,955**	**322,838**	**503,580**	**3,391**	**987,765**

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2019	82,082	112,830	610,313	42,006	**847,230**
New assets originated or purchased	24,831	20,276	-	-	**45,107**
Assets derecognised or repaid (excluding write offs)	(7,551)	(12,505)	(31,095)	(2,181)	**(53,331)**
Net provision movement for assets that did not change classification	(55,470)	(44,196)	(40,487)	1,487	**(138,665)**
Movements due to change in classification	(8,672)	(16,013)	23,057	-	**(1,628)**
Amounts written off	-	-	(200,275)	(2,922)	**(203,197)**
Other adjustments	367	794	3,697	597	**5,456**
Impairment allowance as at 31 December 2019	**35,587**	**61,187**	**365,211**	**38,987**	**500,971**

	Total				
	Stage 1	Stage 2	Stage 3	POCI	**Total**
Impairment allowance as at 1 st January 2019	224,885	380,771	1,223,818	45,653	**1,875,128**
New assets originated or purchased	93,156	35,607	-	188	**128,952**
Assets derecognised or repaid (excluding write offs)	(32,832)	(33,667)	(160,064)	(2,550)	**(229,112)**
Net provision movement for assets that did not change classification	(85,468)	(5,270)	(26,359)	1,751	**(115,345)**
Movements due to change in classification	(7,577)	3,400	153,432	98	**149,353**
Amounts written off	-	-	(330,132)	(3,374)	**(333,506)**
Other adjustments	1,377	3,183	8,095	611	**13,267**
Impairment allowance as at 31 December 2019	**193,542**	**384,025**	**868,791**	**42,378**	**1,488,736**

The sensitivity assessment of ECL to key inputs shows that a +/- 1 p.p. change in LGD would result in an increase/ decrease of ECL with 37.6 MRON.

The sensitivity assessment of ECL to the macroeconomic scenarios used is described below:

- A change of +/- 1 p.p. of the optimistic scenario weight correlated with a -/+ 1 p.p. change in base scenario weight, will generate an ECL decrease/ increase of 0.6 MRON
- A change of +/- 1 p.p. of the pessimistic scenario weight correlated with a -/+ 1 p.p. change in base scenario weight, will generate an ECL increase/ decrease of 2.7 MRON

(Amounts in thousands RON)

10. Finance lease receivables

The Group acts as a lessor through the subsidiary BRD Sogelease IFN SA, having in the portfolio vehicles, equipment (industrial, agricultural) and real estate leases. The leases are denominated mainly in EUR and RON, with transfer of ownership of the leased asset at the end of the lease term. The receivables are secured by the underlying assets and by other collateral. The payment timing analysis of lease receivables is as follows:

	Group	
	December 31, 2020	**December 31, 2019**
Gross investment in finance lease:		
Under 1 year	496,655	440,905
Between 1 and 5 years	712,998	695,844
Higher than 5 years	9,135	11,814
	1,218,788	**1,148,563**
Unearned finance income	(71,568)	(84,639)
Net investment in finance lease	**1,147,220**	**1,063,924**
Net investment in finance lease:		
Under 1 year	462,601	400,999
Between 1 and 5 years	675,885	651,492
Higher than 5 years	8,734	11,433
	1,147,220	**1,063,924**

	December 31, 2020	**December 31, 2019**
Net investment in the lease	1,147,220	1,063,924
Accumulated allowance for uncollectible minimum lease payments receivable	(80,321)	(71,258)
Total	**1,066,899**	**992,665**

As at December 31, 2020 and December 31, 2019, the future minimum lease receipts regarding operating leases (rents) concluded by the Group and Bank as a lessor are:

	Group		Bank	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Less than one year	519	753	519	753
Between one and five years	470	1,435	470	1,435
More than five years	252	715	252	715
Total	**1,241**	**2,903**	**1,241**	**2,903**

(Amounts in thousands RON)

10. Finance lease receivables (continued)

Impairment allowance movement

	Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2020	934	2,030	13,836	**16,800**
New assets originated or purchased	569	375	824	**1,769**
Assets derecognised or fully repaid (excluding write offs)	(72)	(264)	(191)	**(527)**
Movements due to change in classification	777	(1,170)	393	**-**
Net movement for assets that did not change classification	(946)	947	3,032	**3,032**
Amounts written off	-	-	(1,630)	**(1,630)**
Foreign exchange and other adjustments	28	10	212	**250**
Impairment allowance as at 31 December 2020	**1,291**	**1,927**	**16,476**	**19,694**

	Non-retail			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2020	2,701	11,436	40,319	**54,456**
New assets originated or purchased	1,013	6,739	88	**7,840**
Assets derecognised or fully repaid (excluding write offs)	(203)	(1,592)	(159)	**(1,954)**
Movements due to change in classification	4,634	(5,384)	749	**-**
Net movement for assets that did not change classification	(5,559)	5,113	2,204	**1,757**
Amounts written off	-	-	(1,459)	**(1,459)**
Foreign exchange and other adjustments	123	41	(176)	**(11)**
Impairment allowance as at 31 December 2020	**2,710**	**16,352**	**41,566**	**60,627**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2020	3,636	13,465	54,155	**71,256**
New assets originated or purchased	1,583	7,114	912	**9,609**
Assets derecognised or fully repaid (excluding write offs)	(275)	(1,856)	(350)	**(2,481)**
Movements due to change in classification	5,411	(6,554)	1,143	**-**
Net movement for assets that did not change classification	(6,505)	6,060	5,235	**4,789**
Amounts written off	-	-	(3,089)	**(3,089)**
Foreign exchange and other adjustments	151	51	36	**239**
Impairment allowance as at 31 December 2020	**4,000**	**18,280**	**58,042**	**80,322**

(Amounts in thousands RON)

10. Finance lease receivables (continued)

Impairment allowance movement (continued)

	Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2019	560	1,133	15,945	**17,637**
New assets originated or purchased	592	821	215	**1,628**
Assets derecognised or fully repaid (excluding write offs)	(76)	(264)	(933)	**(1,272)**
Movements due to change in classification	(44)	65	(21)	**-**
Net movement for assets that did not change classification	(103)	265	920	**1,083**
Amounts written off	-	-	(2,461)	**(2,461)**
Foreign exchange adjustments	5	10	170	**186**
Impairment allowance as at 31 December 2019	**934**	**2,030**	**13,836**	**16,800**

	Non-retail			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2019	2,595	14,418	42,585	**59,598**
New assets originated or purchased	1,539	4,179	522	**6,241**
Assets derecognised or fully repaid (excluding write offs)	(208)	(2,682)	(1,944)	**(4,835)**
Movements due to change in classification	3,253	(4,128)	875	**-**
Net movement for assets that did not change classification	(4,585)	(494)	(1,376)	**(6,454)**
Amounts written off	-	-	(961)	**(961)**
Foreign exchange adjustments	108	144	617	**869**
Impairment allowance as at 31 December 2019	**2,702**	**11,437**	**40,319**	**54,458**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2019	3,155	15,550	58,530	**77,235**
New assets originated or purchased	2,131	4,999	737	**7,868**
Assets derecognised or fully repaid (excluding write offs)	(284)	(2,946)	(2,877)	**(6,107)**
Movements due to change in classification	3,209	(4,063)	854	**-**
Net movement for assets that did not change classification	(4,687)	(229)	(455)	**(5,371)**
Amounts written off	-	-	(3,422)	**(3,422)**
Foreign exchange adjustments	113	154	787	**1,054**
Impairment allowance as at 31 December 2019	**3,637**	**13,466**	**54,155**	**71,258**

(Amounts in thousands RON)

11. Financial assets at fair value through profit or loss

	Group		Bank	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Equity investments	39,747	68,709	39,747	68,709
Other securities	45,493	39,345	18,637	18,666
Total	**85,240**	**108,054**	**58,384**	**87,375**

Equity investments

Other equity investments represent shares in Visa Inc, Romanian Commodities Exchange (Bursa de Valori Bucuresti), Romanian Credit Guarantee Fund for Private Investors (Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA), National Society for Transfer of Funds and Settlements-TransFonD (Societatea Nationala de Transfer de Fonduri si Decontari), SWIFT, Shareholders' Register for the National Securities Commission (Depozitarul Central S.A.), Bucharest Stock Exchange (Bursa Romana de Marfuri SA), Investor Compensating Fund (Fondul de Compensare a Investitorilor).

The variation in equity investments is explained by the fact that in September 2020 the Bank converted part of Visa shares from type C into type A, and afterwards in November 2020 sold the Visa shares type A at a price of 9.2 Million USD.

Other securities

The Group holds fund units in:

December 31, 2020	**Unit value RON**	**No of units**	**Market value**
BRD Simfonia	46	483,269	22,091
BRD Obligatiuni	189	21,980	4,159
BRD Simplu	101	6,000	606
BRD Diverso	190	37,578	7,157
BRD Actiuni	231	44,358	10,266
BRD Global	186	6,514	1,214
Total			**45,493**

December 31, 2019	**Unit value RON**	**No of units**	**Market value**
BRD Simfonia	43	385,312	16,753
BRD Obligatiuni	179	21,980	3,926
BRD Diverso	192	37,578	7,233
BRD Actiuni	231	44,358	10,262
BRD Index	180	6,514	1,171
Total			**39,345**

(Amounts in thousands RON)

11. Financial assets at fair value through profit or loss (continued)

The Bank holds fund units in:

December 31, 2020	Unit value RON	No of units	Market value
BRD Diverso	190	37,578	7,157
BRD Actiuni	231	44,358	10,266
BRD Global	186	6,514	1,214
Total			**18,637**

December 31, 2019	Unit value RON	No of units	Market value
BRD Diverso	192	37,578	7,233
BRD Actiuni	231	44,358	10,262
BRD Index	180	6,514	1,171
Total			**18,666**

12. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include treasury notes, respectively treasury discount notes and coupon bonds issued by the Ministry of Public Finance, in amount of 14,464,597 rated as BBB- by Standard&Poors, bonds issued by Frech State in amount of 730,777 rated as AA by Standard&Poors and bonds issued by the Belgian State in amount of 748,096 rated as AA by Standard&Poors.

As at December 31, 2020, these financial assets at fair value through other comprehensive income are classified as Stage 1 and ECL impairment allowance amounts to 2,681 (December 31, 2019: 2,516).

(Amounts in thousands RON)

13. Investments in subsidiaries associates and joint ventures

Group

Associates and joint ventures	**%**	**December 31, 2019**	**Additions/ Reclassifications**	**Increase / (decrease) in net assets**	**December 31, 2020**
BRD Asigurari de Viata SA	49.00%	27,492	-	221	27,713
BRD Fond de Pensii S.A.	49.00%	11,241	13,035	(13,123)	11,153
Fondul de Garantare a Creditului Rural	33.33%	18,737	-	37	18,774
ALD Automotive	20.00%	23,904	-	1,693	25,597
BRD Sogelease Asset Rental SRL	20.00%	1,031	-	225	1,256
Biroul de Credit S.A.	16.38%	3,169	-	(115)	3,054
CIT One SA	33.33%	-	11,900	(334)	11,566
		85,574	**24,935**	**(11,396)**	**99,113**

Group

Associates	**%**	**December 31, 2018**	**Additions/ Reclassifications**	**Increase / (decrease) in net assets**	**December 31, 2019**
BRD Asigurari de Viata SA	49.00%	30,881	-	(3,389)	27,492
BRD Fond de Pensii S.A.	49.00%	9,283	4,405	(2,448)	11,241
Fondul de Garantare a Creditului Rural	33.33%	20,027	-	(1,291)	18,737
ALD Automotive	20.00%	21,411	-	2,494	23,904
BRD Sogelease Asset Rental SRL	20.00%	(0)	-	1,031	1,031
Biroul de Credit S.A.	16.38%	3,317	-	(148)	3,169
		84,919	**4,405**	**(3,750)**	**85,574**

(Amounts in thousands RON)

13. Investments in subsidiaries associates and joint ventures (continued)

Bank

Associates and joint ventures	%	December 31, 2019	Additions/ Reclassifications	December 31, 2020
BRD Asigurari de Viata SA	49.00%	17,697	-	17,697
BRD Fond de Pensii S.A.	49.00%	20,565	13,035	33,600
Fondul de Garantare a Creditului Rural	33.33%	14,220	-	14,220
ALD Automotive	20.00%	11,873	-	11,873
Biroul de Credit S.A.	16.38%	729	-	729
CIT One SA	33.33%	-	11,900	11,900
Associates and joint ventures		**65,084**	**24,935**	**90,020**
BRD Sogelease IFN SA	99.98%	11,558	-	11,558
BRD Asset Management SAI SA	99.98%	4,321	-	4,321
BRD Finance Credite de Consum IFN SA	49.00%	53,019	-	53,019
Subsidiaries		**68,898**	**-**	**68,898**
Total associates and subsidiaries		**133,982**	**24,935**	**158,918**

Bank

Associates	%	December 31, 2018	Additions/ Reclassifications	December 31, 2019
BRD Asigurari de Viata SA	49.00%	17,697	-	17,697
BRD Fond de Pensii S.A.	49.00%	16,160	4,405	20,565
Fondul de Garantare a Creditului Rural	33.33%	14,220	-	14,220
ALD Automotive	20.00%	11,873	-	11,873
Biroul de Credit S.A.	16.38%	729	-	729
Associates and joint ventures		**60,679**	**4,405**	**65,084**
BRD Sogelease IFN SA	99.98%	11,558	-	11,558
BRD Asset Management SAI SA	99.98%	4,321	-	4,321
BRD Finance Credite de Consum IFN SA	49.00%	53,019	-	53,019
Subsidiaries		**68,898**	**-**	**68,898**
Total associates and subsidiaries		**129,577**	**4,405**	**133,982**

As at September 30, 2020, BRD - Groupe Societe Generale signed a shareholders' agreement for entering the shareholding of CIT ONE S.A. with a participation share of 33.33%. As a result, as at 31 December 2020 the participation in CIT One S.A. is included in the scope of BRD Group consolidation through equity method, in accordance with IAS 28 "Investments in associates and joint ventures" and presented as a joint venture in accordance with IFRS 11 “Joint Agreements”. The cost of acquisition reflected in the financial statements for CIT One S.A. was in amount of 11,900.

In April 2020 the share capital of BRD Fond de Pensii SA was increased by 26.600 by issuing new shares but by keeping the shareholding percentages of shareholders. This transaction generated an increase in BRD Group participation in BRD Fond de Pensii SA by an amount of 13.035.

(Amounts in thousands RON)

13. Investments in subsidiaries associates and joint ventures (continued)

The subsidiaries, associates and joint venture summary of financial position and income statement as at December 31, 2020 are as follows:

December 31, 2020	%	Current assets	Non-current assets	Net assets	% of net assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Net profit/(loss)
Subsidiaries											
BRD Sogelease IFN SA	99.98%	694,019	816,097	236,881	n/a	1,510,116	460,033	813,201	1,273,234	66,688	16,610
BRD Finance Credite de Consum IFN SA	49.00%	197,389	496,409	96,268	n/a	693,798	336,358	261,172	597,530	128,131	1,573
BRD Asset Management SAI SA	99.98%	1,372	30,694	27,831	n/a	32,066	847	3,388	4,235	29,156	4,727
Associate and joint ventures											
ALD Automotive	20.00%	66,707	611,900	127,990	25,598	678,607	70,488	480,130	550,618	203,354	8,372
BRD Asigurari de Viata SA	49.00%	496,985	97,994	56,567	27,718	594,979	133,426	404,986	538,412	289,326	11,441
Fondul de Garantare a Creditului Rural	33.33%	779,467	5,461	56,314	18,770	784,928	49,696	678,918	728,614	16,056	3,826
Biroul de Credit S.A.	16.38%	18,482	741	18,663	3,056	19,223	560	-	560	11,204	4,007
BRD Fond de Pensii S.A.	49.00%	64,345	1,683	22,757	11,151	66,028	388	42,883	43,271	17,326	(25,623)
BRD Sogelease Asset Rental SRL	20.00%	19,514	25,413	6,279	1,256	44,927	5,333	33,315	38,648	26,606	1,508
CIT One	33.33%	35,605	40,508	34,699	11,565	76,113	28,380	13,034	41,414	118,345	(4,218)
Total					**99,114**						

(Amounts in thousands RON)

13. Investments in subsidiaries associates and joint ventures (continued)

The subsidiariesand associatessummary of financial position and income statement as at December 31, 2019 are as follows:

December 31, 2019	%	Current assets	Non-current assets	Net assets	% of net assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Net profit/(loss)
Subsidiaries											
BRD Sogelease IFN SA	99.98%	637,535	775,993	220,271	n/a	1,413,528	450,416	742,841	1,193,257	64,074	25,045
BRD Finance Credite de Consum IFN SA	49.00%	183,657	527,535	94,697	n/a	711,192	311,411	305,084	616,495	130,503	13,604
BRD Asset Management SAI SA	99.98%	6,838	25,180	23,104	n/a	32,017	1,755	7,158	8,913	28,335	4,669
Associate											
ALD Automotive	20.00%	79,794	598,358	119,525	23,905	678,152	65,913	492,714	558,627	199,111	13,575
BRD Asigurari de Viata SA	49.00%	445,259	61,295	56,114	27,494	506,554	140,215	310,225	450,440	299,297	116,678
Fondul de Garantare a Creditului Rural	33.33%	779,627	5,391	56,204	18,733	785,018	53,151	675,663	728,814	16,510	(570)
Biroul de Credit S.A.	16.38%	18,494	1,293	19,363	3,171	19,787	424	-	424	12,300	4,706
BRD Fond de Pensii S.A.	49.00%	34,391	3,000	22,939	11,240	37,391	1,480	12,972	14,453	13,564	(4,176)
BRD Sogelease Asset Rental SRL	20.00%	17,210	45,041	5,155	1,031	62,250	57,096	-	57,096	40,757	1,898
Total					**85,574**						

(Amounts in thousands RON)

14. Property, plant and equipment

	Group						
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	Total
Cost:							
as of December 31, 2018	**1,323,843**	**37,151**	**245,962**	**548,198**	**44,182**	**-**	**2,199,336**
as at 1 st January 2019 (under IFRS 16)	**1,323,843**	**37,151**	**245,962**	**548,198**	**44,182**	**482,209**	**2,681,545**
Additions	182	-	1,234	123	84,872	48,280	134,691
Transfers	13,887	71	22,433	21,305	(57,699)	-	(3)
Disposals	(14,580)	-	(27,962)	(59,379)	(64)	(37,564)	(139,549)
as of December 31, 2019	**1,323,332**	**37,222**	**241,667**	**510,247**	**71,291**	**492,925**	**2,676,684**
Additions	131	-	1,102	224	78,064	34,134	113,655
Transfers	8,488	5,762	31,876	33,035	(79,161)	-	-
Disposals	(34,869)	(2,547)	(12,487)	(24,844)	(16,237)	(73,243)	(164,227)
as of December 31, 2020	**1,297,082**	**40,437**	**262,158**	**518,662**	**53,957**	**453,816**	**2,626,112**
Depreciation and impairment:							
as of December 31, 2018	**(747,395)**	**(18,080)**	**(180,734)**	**(432,276)**	**-**	**-**	**(1,378,485)**
as at 1 st January 2019 (under IFRS 16)	**(747,395)**	**(18,080)**	**(180,734)**	**(432,276)**	**-**	**-**	**(1,378,485)**
Depreciation	(40,296)	(1,323)	(26,936)	(30,824)	-	(92,640)	(192,019)
Impairment	80	-	-	1,045	-	-	1,125
Disposals	13,328	-	27,867	55,948	-	6,871	104,014
Transfers	329	-	(141)	(188)	-	-	-
as of December 31, 2019	**(773,954)**	**(19,403)**	**(179,944)**	**(406,295)**	**-**	**(85,769)**	**(1,465,365)**
Depreciation	(37,489)	(656)	(28,289)	(32,815)	-	(91,120)	(190,369)
Impairment	611	-	-	339	(1,954)	-	(1,004)
Disposals	21,694	684	12,461	22,052	-	57,389	114,280
Transfers	3,346	(3,264)	(32)	(50)	-	-	-
as of December 31, 2020	**(785,792)**	**(22,639)**	**(195,804)**	**(416,769)**	**(1,954)**	**(119,500)**	**(1,542,458)**
Net book value:							
as of December 31, 2018	**576,448**	**19,071**	**65,228**	**115,922**	**44,182**	**-**	**820,851**
as at 1 st January 2019	**576,448**	**19,071**	**65,228**	**115,922**	**44,182**	**482,209**	**1,303,060**
as of December 31, 2019	**549,378**	**17,819**	**61,723**	**103,952**	**71,291**	**407,156**	**1,211,319**
as of December 31, 2020	**511,290**	**17,798**	**66,354**	**101,893**	**52,003**	**334,316**	**1,083,654**

(Amounts in thousands RON)

14. Property, plant and equipment (continued)

The Group and Bank holds investment property as a consequence of the ongoing rationalisation of its retail branch network. Investment properties comprise a number of commercial properties that are leased to third parties. The investment properties have a fair value of 12,883 as at December 31, 2020 (December 31, 2019: 24,577). The fair value has been determined based on a valuation by an independent valuer in 2020. Rental income from investment property of 905 (December 31, 2019: 1,349) has been recognised in other income

	Bank						
	Land & Buildings	**Investment properties**	**Office equipments**	**Materials and other assets**	**Construction in progress**	**Right of use**	**Total**
Cost:							
as of December 31, 2018	**1,313,822**	**37,151**	**234,328**	**547,736**	**44,182**	**-**	**2,177,218**
as at 1 st January 2019 (under IFRS 16)	**1,313,822**	**37,151**	**234,328**	**547,736**	**44,182**	**467,125**	**2,644,343**
Additions	99	-	-	-	84,872	46,776	131,747
Transfers	13,879	71	22,602	21,152	(57,704)	-	-
Disposals	(14,580)	-	(23,261)	(59,238)	(58)	(37,197)	(134,334)
as of December 31, 2019	**1,313,220**	**37,222**	**233,669**	**509,650**	**71,292**	**476,704**	**2,641,756**
Additions	131	-	-	14	78,065	32,937	111,147
Transfers	8,489	5,762	31,876	33,036	(79,165)	-	(2)
Disposals	(34,869)	(2,547)	(12,385)	(24,608)	(16,237)	(73,242)	(163,888)
as of December 31, 2020	**1,286,971**	**40,437**	**253,160**	**518,092**	**53,955**	**436,399**	**2,589,013**
Depreciation and impairment:							
as of December 31, 2018	**(742,661)**	**(18,080)**	**(171,076)**	**(431,745)**	**-**	**-**	**(1,363,562)**
as at 1 st January 2019 (under IFRS 16)	**(742,661)**	**(18,080)**	**(171,076)**	**(431,745)**	**-**	**-**	**(1,363,562)**
Depreciation	(40,039)	(1,323)	(26,223)	(30,787)	-	(87,089)	(185,461)
Impairment	80	-	-	1,045	-	-	1,125
Disposals	13,328	-	23,261	55,773	-	6,871	99,233
Transfers	311	-	-	(311)	-	-	-
as of December 31, 2019	**(768,981)**	**(19,403)**	**(174,038)**	**(406,025)**	**-**	**(80,218)**	**(1,448,665)**
Depreciation	(37,238)	(655)	(27,305)	(32,774)	-	(85,192)	(183,164)
Impairment	611	-	-	339	(1,954)	-	(1,004)
Disposals	21,694	684	12,385	22,049	-	57,391	114,203
Transfers	3,347	(3,264)	(32)	(51)	-	-	-
as of December 31, 2020	**(780,567)**	**(22,638)**	**(188,990)**	**(416,462)**	**(1,954)**	**(108,019)**	**(1,518,630)**
Net book value:							
as of December 31, 2018	**571,161**	**19,071**	**63,252**	**115,991**	**44,182**	**-**	**813,656**
as at 1 st January 2019	**571,161**	**19,071**	**63,252**	**115,991**	**44,182**	**467,125**	**1,280,781**
as of December 31, 2019	**544,239**	**17,819**	**59,631**	**103,625**	**71,292**	**396,486**	**1,193,091**
as of December 31, 2020	**506,404**	**17,799**	**64,170**	**101,630**	**52,001**	**328,380**	**1,070,383**

(Amounts in thousands RON)

14. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2020	**391,651**	**6,087**	**9,418**	**407,156**
Additions	8,625	598	557	9,780
Depreciation expense	(84,082)	(2,441)	(4,597)	(91,120)
Disposals and other decreases	(16,230)	351	25	(15,854)
Contractual changes	23,439	915	-	24,354
as of December 31, 2020	**323,403**	**5,510**	**5,403**	**334,316**

	Lease liabilities
as of January 1, 2020	**417,309**
Additions	9,779
Disposals and other decreases	(30,829)
Other movements (FX, other contractual changes)	16,513
Interest expense	4,959
Payments	(74,918)
as of December 31, 2020	**342,813**

Bank	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2020	**382,680**	**6,087**	**7,719**	**396,486**
Additions	8,586	598	431	9,615
Depreciation expense	(79,047)	(2,441)	(3,704)	(85,192)
Disposals and other decreases	(16,227)	351	25	(15,851)
Contractual changes	23,403	(81)	-	23,322
as of December 31, 2020	**319,395**	**4,514**	**4,471**	**328,380**

	Lease liabilities
as of January 1, 2020	**406,523**
Additions	9,614
Disposals and other decreases	(25,830)
Other movements (FX, other contractual changes)	10,851
Interest expense	4,848
Payments	(69,168)
as of December 31, 2020	**336,838**

(Amounts in thousands RON)

14. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2019	**464,877**	**6,788**	**10,544**	**482,209**
Additions	42,474	1,347	4,459	48,280
Depreciation expense	(85,160)	(1,979)	(5,501)	(92,640)
Disposals and other decreases	(25,672)	3	(74)	(25,743)
Contractual changes	(4,869)	(72)	(9)	(4,950)
as of December 31, 2019	**391,650**	**6,087**	**9,419**	**407,156**

	Lease liabilities
as of January 1, 2019	**482,208**
Additions	46,851
Disposals and other decreases	(13,420)
Other movements (FX, other contractual changes)	(14,303)
Interest expense	5,948
Payments	(89,975)
as of December 31, 2019	**417,309**

Bank	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2019	**450,803**	**6,788**	**9,534**	**467,125**
Additions	42,402	1,347	3,027	46,776
Depreciation expense	(80,275)	(1,979)	(4,835)	(87,089)
Disposals and other decreases	(25,672)	3	(4)	(25,673)
Contractual changes	(4,579)	(72)	(2)	(4,653)
as of December 31, 2019	**382,679**	**6,087**	**7,720**	**396,486**

	Lease liabilities
as of January 1, 2019	**467,125**
Additions	46,776
Disposals and other decreases	(13,420)
Other movements (FX, other contractual changes)	(14,834)
Interest expense	5,738
Payments	(84,862)
as of December 31, 2019	**406,523**

(Amounts in thousands RON)

15. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Société Générale Bucharest to the Group in 1999.

Following the acquisition, the branch become the present Sucursala Mari Clienti Corporativi (“SMCC”) – the branch dedicated to large significant clients, most of them taken over from the former Societe Generale Bucharest.

As at December 31, 2020, the branch had a number of 3,433 active customers (2019: 3,504), with loans representing approximately 13 % from total loans managed by the network (2019: 12%) and with deposits representing about 13 % of networks’ deposits (2019: 14%). Most of the SMCC non-retail clients are large multinational and national customers.

Taking into account the stable base of clients and the contribution to the bank’s net banking income, the branch which generated the goodwill is considered profitable, without any need of impairment.

16. Intangible assets

The balance of the intangible assets as of December 31, 2020 and December 31, 2019 represents mainly software.

	Group	Bank
Cost:		
as of December 31, 2018	**532,364**	**500,738**
Additions	83,855	78,994
Disposals	(4,605)	-
as of December 31, 2019	**611,614**	**579,732**
Additions	117,645	116,377
Disposals	(427)	-
as of December 31, 2020	**728,832**	**696,109**
Amortization:		
as of December 31, 2018	**(389,546)**	**(360,146)**
Amortization expense	(39,437)	(38,162)
Disposals	2,962	-
Transfers	(304)	-
as of December 31, 2019	**(426,325)**	**(398,308)**
Amortization expense	(55,128)	(53,502)
as of December 31, 2020	**(481,453)**	**(451,810)**
Net book value:		
as of December 31, 2018	**142,818**	**140,592**
as of December 31, 2019	**185,289**	**181,424**
as of December 31, 2020	**247,379**	**244,299**

(Amounts in thousands RON)

17. Other assets

	Group		Bank	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Advances to suppliers	49,052	62,354	-	-
Sundry receivable	177,748	179,530	167,833	172,343
Prepaid expenses	43,293	36,849	34,748	29,392
Repossessed assets	6,698	16,422	5,171	14,235
Other assets	16,276	5,975	9,931	4,800
Total	**293,067**	**301,130**	**217,683**	**220,770**

The sundry receivables balances includes various commissions, sundry debtors, dividends and are net of impairment allowance, which at Group level is 117,001 (December 31, 2019: 88,787) and at Bank level is 107,223 (December 31, 2019: 78,491). In addition, sundry receivable include an amount of 43,108 (December 31, 2019: 43,108) paid to the fiscal authorities following a tax inspection carried out in 2016; the amount is under litigation with the authorities and the Bank estimates that is more likely than not that it will win the litigation.

As of December 31, 2020 the carrying value of repossessed assets for Group is 6,698 (December 31, 2019: 16,422). As of December 31, 2020 the carrying value of repossessed assets for Bank is 5,171 (December 31, 2019: 14,235), representing 8 residential buildings (December 31, 2019: 7 residential buildings).

Group

Sundry receivables	**Total (Stage3)**
Impairment allowance as at January 1, 2020	88,787
Additional expenses	52,176
Reversals of provisions	(21,420)
Receivables written off	(2,441)
Foreign exchange adjustments	(101)
Impairment allowance as at as at December 31, 2020	**117,001**

	Total (Stage3)
Impairment allowance as at 1 st January 2019	165,891
Additional expenses	58,758
Reversals of provisions	(18,777)
Receivables written off	(117,494)
Foreign exchange adjustments	409
Impairment allowance as at 31 December 2019	**88,787**

(Amounts in thousands RON)

17. Other assets (continued)

Bank

Sundry receivables	**Total (Stage3)**
Impairment allowance as at January 1, 2020	78,491
Additional expenses	51,460
Reversals of provisions	(19,769)
Receivables written off	(2,441)
Foreign exchange adjustments	(518)
Impairment allowance as at as at December 31, 2020	**107,223**

	Total (Stage3)
Impairment allowance as at 1 st January 2019	155,095
Additional expenses	57,210
Reversals of provisions	(16,820)
Receivables written off	(117,494)
Foreign exchange adjustments	500
Impairment allowance as at 31 December 2019	**78,491**

18. Due to banks

	Group		**Bank**	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Demand deposits	173,678	373,268	173,678	373,268
Term deposits	25,333	47,843	25,333	47,843
Due to banks	**199,011**	**421,112**	**199,011**	**421,112**

19. Due to customers

	Group		**Bank**	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Demand deposits	38,464,257	32,935,428	38,572,697	33,045,752
Term deposits	11,493,497	12,963,323	11,579,429	12,993,897
Due to customers	**49,957,754**	**45,898,751**	**50,152,126**	**46,039,649**

(Amounts in thousands RON)

20. Borrowed funds

	Group		Bank	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Borrowings from related parties	1,408,308	1,442,614	190	235
Borrowings from international financial institutions	334,044	253,881	6,575	10,132
Total	**1,742,352**	**1,696,495**	**6,765**	**10,367**

Funds borrowed from related parties are senior unsecured and are used in the normal course of business.

21. Taxation

Current income tax is calculated based on the taxable income as per the tax statement derived from the stand alone accounts of each consolidated entity. As of December 31, 2020 the Group has a current tax liability in total amount of 2,069 (December 31, 2019: 15,117) and 4,911 current tax asset (December 31, 2019: 136).
The deferred tax liability/asset is reconciled as follows:

	Group December 31, 2020			
	Temporary differences Asset / (Liability)	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
Elements generating deferred tax				
Defined benefit obligation	18,122	(2,900)	-	785
Investments and other securities	936,130	(149,781)	-	(119,856)
Tangible and intangible assets	(135,245)	21,639	(1,099)	-
Provisions and other liabilities	(646,378)	103,421	3,595	-
Taxable items	**172,629**			
Deferred tax		**(27,620)**	**2,496**	**(119,071)**

	Bank December 31, 2020			
	Temporary differences Asset / (Liability)	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
Elements generating deferred tax				
Defined benefit obligation	18,122	(2,900)	-	785
Investments and other securities	936,130	(149,781)	-	(119,856)
Tangible and intangible assets	(135,416)	21,667	(1,098)	-
Provisions and other liabilities	(581,916)	93,107	(851)	-
Taxable items	**236,920**			
Deferred tax		**(37,907)**	**(1,949)**	**(119,071)**

(Amounts in thousands RON)

21. Taxation (continued)

	Group December 31, 2019			
	Temporary differences Asset / (Liability)	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
Elements generating deferred tax				
Defined benefit obligation	23,028	(3,685)	-	736
Investments and other securities	178,826	(28,612)	-	(35,683)
Tangible and intangible assets	(142,116)	22,739	2,136	-
Provisions and other liabilities	(615,705)	98,512	8,286	-
Taxable items	**(555,967)**			
Deferred tax		**88,955**	**10,422**	**(34,947)**

	Bank December 31, 2019			
	Temporary differences Asset / (Liability)	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
Elements generating deferred tax				
Defined benefit obligation	23,028	(3,685)	-	736
Investments and other securities	187,028	(29,924)	-	(35,683)
Tangible and intangible assets	(142,280)	22,765	2,185	-
Provisions and other liabilities	(587,234)	93,957	8,483	-
Taxable items	**(519,458)**			
Deferred tax		**83,113**	**10,668**	**(34,947)**

Movement in deferred tax is as follows:

	Group	Bank
Deferred tax asset, net as of December 31, 2018	**113,480**	**107,392**
Deferred tax recognized in other comprehensive income	(34,947)	(34,947)
Deferred tax recognized in profit and loss	10,422	10,668
Deferred tax asset, net as of December 31, 2019	**88,955**	**83,113**
Deferred tax recognized in other comprehensive income	(119,071)	(119,071)
Deferred tax recognized in profit and loss	2,496	(1,949)
Deferred tax liability, net as of December 31, 2020	**(27,620)**	**(37,907)**

(Amounts in thousands RON)

21. Taxation (continued)

Reconciliation of total tax charge

	Group		Bank	
	2020	2019	2020	2019
Profit before income tax	**1,147,348**	**1,796,044**	**1,132,260**	**1,813,617**
Income tax (16%)	183,576	287,367	181,162	290,179
Fiscal credit	(23,243)	(22,945)	(19,093)	(22,376)
Non-deductible elements	40,638	51,290	23,903	35,393
Non-taxable elements	(16,480)	(18,822)	(5,277)	(18,101)
Expense from income tax at effective tax rate	**184,491**	**296,889**	**180,695**	**285,094**
Effective tax rate	16.1%	16.5%	16.0%	15.7%

Recognition of deferred tax asset is based on the management's profit forecasts, which indicates that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

At the Bank level, as at December 31, 2020, permanent non-deductible elements include the impact of provisions for overdue commissions 8,011 (December 31, 2019: 9,097), sponsorship expenses with an impact of 1,406 (December 31, 2019: 1,418), and debt sales and other operations with limited deductibility in amount of 9,503 (December 31, 2019: 17,831); permanent non-taxable elements are mainly a result of releases for provisions for over-due commissions in amount of 3,010 (December 31, 2019: 2,669), provisions for litigations 730 (December 31, 2019: 543), and dividends income with an impact of 1,132 (December 31, 2019: 6,536).

22. Other liabilities

	Group		Bank	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Sundry creditors	235,462	276,775	178,249	210,376
Other payables to State budget	48,366	47,409	46,994	45,916
Deferred income	24,045	19,165	24,045	18,735
Payables to employees	154,132	156,546	145,250	147,811
Financial guarantee and loan commitments provisions	368,707	376,372	381,172	389,419
Other provisions	73,393	52,005	54,416	47,075
Creditors - Lease liabilities	342,813	417,309	336,838	406,523
Total	**1,246,918**	**1,345,581**	**1,166,964**	**1,265,855**

Sundry creditors are expected to be settled in no more than twelve months after the reporting period.

Payables to employees include, among other, gross bonuses, amounting 61,122 as of as of December 31, 2020 (December 31, 2019: 69,310) and post-employment benefits amounting 65,651 as of as of December 31, 2020 (December 31, 2019: 57,584).

(Amounts in thousands RON)

22. Other liabilities (continued)

The movement in other provisions is as follows:

Group	**TOTAL**
Carrying value as of December 31,2018	**38,792**
Additional expenses	23,632
Reversals of provisions	(7,408)
Usage	(3,011)
Carrying value as of December 31,2019	**52,005**
Additional expenses	35,890
Reversals of provisions	(11,700)
Usage	(2,802)
Carrying value as of December 31, 2020	**73,393**
Bank	
Carrying value as of December 31,2018	**37,254**
Additional expenses	19,782
Reversals of provisions	(7,187)
Usage	(2,774)
Carrying value as of December 31,2019	**47,075**
Additional expenses	19,725
Reversals of provisions	(9,645)
Usage	(2,739)
Carrying value as of December 31, 2020	**54,416**

The movement in financial guarantee and loan commitments provisions is as follows:

(Amounts in thousands RON)

22. Other liabilities (continued)

Financial guarantees and loan commitments provisions

Group	Retail lending			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2020	2,166	2,045	2,555	**6,766**
New commitments originated or purchased	5,659	1,302	124	**7,085**
Commitments derecognised or transferred into assets	(339)	(621)	(211)	**(1,171)**
Net provision movement not resulting from changes in classification	(3,757)	231	(264)	**(3,790)**
Movements due to change in classification	193	121	1,040	**1,354**
Other adjustments	2	2	11	**15**
Provision as at 31 December 2020	**3,924**	**3,080**	**3,255**	**10,259**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2020	10,190	31,173	328,242	**369,605**
New commitments originated or purchased	20,558	17,531	7,987	**46,076**
Commitments derecognised or transferred into assets	(4,841)	(1,326)	(81,044)	**(87,211)**
Net provision movement not resulting from changes in classification	8,180	(9,089)	13,643	**12,734**
Movements due to change in classification	(1,542)	14,459	2,230	**15,147**
Other adjustments	209	106	1,783	**2,098**
Provision as at 31 December 2020	**32,754**	**52,854**	**272,841**	**358,449**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2020	12,356	33,218	330,798	**376,372**
New commitments originated or purchased	26,217	18,833	8,111	**53,161**
Commitments derecognised or transferred into assets	(5,180)	(1,947)	(81,255)	**(88,382)**
Net provision movement not resulting from changes in classification	4,423	(8,858)	13,379	**8,944**
Movements due to change in classification	(1,349)	14,580	3,270	**16,501**
Other adjustments	211	108	1,794	**2,113**
Provision as at 31 December 2020	**36,678**	**55,934**	**276,097**	**368,709**

(Amounts in thousands RON)

22. Other liabilities (continued)

Financial guarantees and loan commitments provisions (continued)

Bank	Retail lending			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2020	2,160	2,037	2,555	**6,752**
New commitments originated or purchased	5,647	1,302	124	**7,073**
Commitments derecognised or transferred into assets	(333)	(613)	(211)	**(1,157)**
Net provision movement not resulting from changes in classification	(3,756)	231	(264)	**(3,789)**
Movements due to change in classification	193	121	1,040	**1,354**
Other adjustments	2	2	11	**15**
Provision as at 31 December 2020	**3,913**	**3,080**	**3,255**	**10,248**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2020	10,105	31,113	341,449	**382,667**
New commitments originated or purchased	20,531	17,400	7,987	**45,918**
Commitments derecognised or transferred into assets	(4,755)	(1,191)	(81,044)	**(86,990)**
Net provision movement not resulting from changes in classification	8,193	(9,094)	13,643	**12,742**
Movements due to change in classification	(1,556)	14,477	2,230	**15,151**
Other adjustments	209	79	1,152	**1,440**
Provision as at 31 December 2020	**32,727**	**52,784**	**285,417**	**370,928**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2020	12,265	33,150	344,004	**389,419**
New commitments originated or purchased	26,178	18,702	8,111	**52,991**
Commitments derecognised or transferred into assets	(5,088)	(1,804)	(81,255)	**(88,147)**
Net provision movement not resulting from changes in classification	4,437	(8,863)	13,379	**8,953**
Movements due to change in classification	(1,363)	14,598	3,270	**16,505**
Other adjustments	211	81	1,163	**1,455**
Provision as at 31 December 2020	**36,640**	**55,864**	**288,672**	**381,176**

(Amounts in thousands RON)

22. Other liabilities (continued)

Financial guarantees and loan commitments provisions (continued)

Group	Retail lending			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2019	1,499	1,287	2,852	**5,638**
New commitments originated or purchased	4,453	773	-	**5,226**
Commitments derecognised or transferred into assets	(288)	(414)	(124)	**(826)**
Net provision movement not resulting from changes in classification	(3,600)	225	(152)	**(3,527)**
Movements due to change in classification	100	171	(39)	**232**
Other adjustments	2	3	18	**23**
Provision as at 31 December 2019	**2,166**	**2,045**	**2,555**	**6,766**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2019	39,141	112,777	187,110	**339,028**
New commitments originated or purchased	13,217	17,169	-	**30,386**
Commitments derecognised or transferred into assets	(16,727)	(16,264)	(25,699)	**(58,690)**
Net provision movement not resulting from changes in classification	(24,627)	(17,624)	21,316	**(20,935)**
Movements due to change in classification	(1,153)	(66,294)	142,104	**74,657**
Other adjustments	340	1,410	3,410	**5,160**
Provision as at 31 December 2019	**10,191**	**31,174**	**328,241**	**369,606**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2019	40,640	114,064	189,962	**344,666**
New commitments originated or purchased	17,670	17,942	-	**35,612**
Commitments derecognised or transferred into assets	(17,015)	(16,678)	(25,823)	**(59,516)**
Net provision movement not resulting from changes in classification	(28,227)	(17,399)	21,164	**(24,462)**
Movements due to change in classification	(1,053)	(66,123)	142,065	**74,889**
Other adjustments	342	1,413	3,428	**5,183**
Provision as at 31 December 2019	**12,357**	**33,219**	**330,796**	**376,372**

(Amounts in thousands RON)

22. Other liabilities (continued)

Financial guarantees and loan commitments provisions (continued)

Bank	**Retail lending**			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2019	1,484	1,287	2,852	**5,623**
New commitments originated or purchased	4,447	766	-	**5,213**
Commitments derecognised or transferred into assets	(280)	(414)	(124)	**(818)**
Net provision movement not resulting from changes in classification	(3,593)	225	(152)	**(3,520)**
Movements due to change in classification	100	171	(39)	**232**
Other adjustments	2	3	18	**23**
Provision as at 31 December 2019	**2,160**	**2,038**	**2,555**	**6,753**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2019	39,064	112,894	201,001	**352,959**
New commitments originated or purchased	13,131	17,033	-	**30,164**
Commitments derecognised or transferred into assets	(16,644)	(16,201)	(25,699)	**(58,544)**
Net provision movement not resulting from changes in classification	(24,634)	(17,597)	21,316	**(20,915)**
Movements due to change in classification	(1,153)	(66,294)	142,104	**74,657**
Other adjustments	340	1,278	2,727	**4,345**
Provision as at 31 December 2019	**10,104**	**31,113**	**341,449**	**382,666**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2019	40,548	114,181	203,853	**358,582**
New commitments originated or purchased	17,578	17,799	-	**35,377**
Commitments derecognised or transferred into assets	(16,924)	(16,615)	(25,823)	**(59,362)**
Net provision movement not resulting from changes in classification	(28,227)	(17,372)	21,164	**(24,435)**
Movements due to change in classification	(1,053)	(66,123)	142,065	**74,889**
Other adjustments	342	1,281	2,745	**4,368**
Provision as at 31 December 2019	**12,264**	**33,151**	**344,004**	**389,419**

(Amounts in thousands RON)

22. Other liabilities (continued)

Post-employment benefit plan

This is a defined benefit plan under which the amount of benefit that an employee is entitled to receive on retirement depends on years of service and salary. The plan covers substantially all the employees and the benefits are unfunded. A full actuarial valuation by a qualified independent actuary is carried out annually. During 2020, the movements in service cost, benefits paid from defined benefit obligation and changes in financial assumptions resulted in a change of obligation carrying value: 65,651 as of December 31, 2020 and 57,584 as of December 31, 2019.

Movement in defined benefits obligations

Movement in defined benefits obligations

	December 31, 2020	December 31, 2019
Opening defined benefit obligation	**57,584**	**49,281**
Total service cost	4,408	3,712
Benefits paid	(1,734)	(790)
Interest cost on benefit obligation	487	778
Actuarial (gains) / losses arising from changes in demographic assumptions	1	48
Actuarial (gains) / losses arising from changes in financial assumptions	4,905	4,556
Closing defined benefit obligation	**65,651**	**57,584**

Main actuarial assumptions

	December 31, 2020	December 31, 2019
Discount rate	0.36%	0.86%
Long term inflation rate	1.25%	1.30%
Average remaining working period (years)	12	12

Sensitivities on the defined benefit obligation

The results of any valuation depend upon the assumptions employed. Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase.

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate used were 0.5% higher, then the defined benefit obligation would be lower by about 7,03% meaning 61,036.
- If the discount rate used were 0.5% lower, then the defined benefit obligation would be higher by about 7,76% meaning 70,745.
- If the salary increase rate used were 0.5% higher, then the defined benefit obligation would be higher by about 7,64% meaning 70,670.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.The eventual cost of providing the benefits depends on the current future experience. Other factors such as the number of new employees could also change the cost.

(Amounts in thousands RON)

23. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2019: 696,901). Included in the share capital there is an amount of 1,818,721 (2019: 1,818,721) representing hyperinflation restatement surplus.

Share capital as of December 31, 2020 represents 696,901,518 (2019: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2019: RON 1). During 2020 and 2019, the Bank did not buy back any of its own shares.

24. Interest and similar income

	Group		Bank	
	2020	**2019**	**2020**	**2019**
Interest on loans	1,696,546	1,809,243	1,591,178	1,705,281
Interest on finance lease	49,823	48,373	-	-
Interest on deposit with banks	23,371	53,902	22,703	53,216
Interest on financial assets at FVOCI	475,466	411,968	475,466	411,968
Interest from hedging instruments	16,205	14,048	16,205	14,048
Total	**2,261,411**	**2,337,534**	**2,105,552**	**2,184,513**

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 69,913 for Group (2019: 69,196) and 62,028 for Bank (2019: 61,286)

25. Interest and similar expense

	Group		Bank	
	2020	**2019**	**2020**	**2019**
Interest on term deposits	80,140	95,401	80,873	96,032
Interest on demand deposits	61,763	58,485	63,173	59,208
Interest on borrowings	27,627	27,339	5	22
Interest expense on lease liabilities	4,953	5,947	4,848	5,738
Total	**174,483**	**187,172**	**148,899**	**161,000**

26. Fees and commissions, net

	Group		Bank	
	2020	**2019**	**2020**	**2019**
Services	569,814	670,377	558,386	659,569
Management fees	108,595	112,313	108,595	112,313
Packages	51,322	49,943	51,322	49,943
Transfers	71,295	108,504	71,295	108,504
OTC withdrawal	55,535	70,455	55,535	70,455
Cards	199,675	231,860	199,675	231,860
Brokerage and custody	43,478	36,944	43,478	36,944
Other	39,914	60,358	28,486	49,552
Loan activity	110,008	104,444	84,309	76,842
Off balance sheet	31,594	30,792	31,594	30,792
Total	**711,416**	**805,613**	**674,289**	**767,205**

(Amounts in thousands RON)

27. Gain on derivative and other financial instruments held for trading and foreign exchange

	Group		Bank	
	2020	**2019**	**2020**	**2019**
FX position revaluation	9,912	(11,773)	9,912	(11,773)
FX Spot	165,965	186,373	164,488	186,387
Gain on instruments held for trading	46,360	42,494	46,360	42,494
Derivative financial instruments	50,058	57,300	50,058	57,300
Gain/ (loss) on interest rate derivatives	(1,582)	16,273	(1,582)	16,273
Gain/ (loss) on currency and interest swap	(3,682)	27,867	(3,682)	27,867
Gain on forward foreign exchange contracts	53,201	7,150	53,201	7,150
Gain on currency options	3,538	6,366	3,538	6,366
Loss on hedging	(504)	(755)	(504)	(755)
Other	(913)	399	(913)	399
Gain on derivative, other financial instruments held for trading and foreign exchange	**272,295**	**274,394**	**270,818**	**274,408**

28. Other income/expense from banking activities

	Group		Bank	
	2020	**2019**	**2020**	**2019**
Dividend income	614	1,140	614	31,942
Gain from disposal of investments	-	6,245	-	43,344
Provision for litigations	1,006	(12,384)	1,007	(12,276)
Held for sale fixed assets expenses	(11,555)	(2,583)	(9,236)	(647)
Other income/(expenses)	6,825	5,965	1,892	(1,134)
Total income / (expense) from banking activity	**(3,110)**	**(1,617)**	**(5,723)**	**61,229**

For the Bank, other income includes dividends from subsidiaries in amount 30,806 as of December 31, 2019 and 0 as of December 2020, income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties, for the Bank, is 905 (2019: 1,349).

29. Contribution to Guarantee Scheme and Resolution Fund

According to the Romanian legislation (Law no. 311/2015 on Deposit Guarantee Schemes and the Bank Deposit Guarantee Fund), the deposits of individuals and certain entities, including small and medium enterprises and large companies are covered up to EUR 100,000 by the Bank Deposit Guarantee Fund ("Fund").

Each credit institution participating to deposit guarantee scheme shall pay the annual contribution as determined and notified by the Fund. The amount of the contribution refers to the total covered deposits at the end of the previous year and reflects also the degree of risk associated to each credit institution in the scheme.

The degree of risk is determined based on the financial and prudential indicators reported by the credit institutions to the National Bank of Romania. For this purpose, the Bank Deposits Guarantee Fund uses a methodology approved by the National Bank of Romania considering also the guidelines issued by the European Banking Authority.

For the year 2020 the expense related to the Deposit Guarantee Fund amounts to 14,403 (2019: 46,930).

According to Law no. 312/2015 on recovery and resolution of credit institution and investment firms, each credit institution shall pay an annual contribution to Bank Resolution Fund as determined and notified by the National Bank of Romania.

(Amounts in thousands RON)

29. Contribution to Guarantee Scheme and Resolution Fund (continued)

The National Bank of Romania as the local resolution authority establish the credit institutions annual contributions to Bank Resolution Fund, in compliance with Commission Delegated Regulation EU 2015/63, supplementing Directive 2014/59 of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements.

For the year 2020 the expense related to the Bank Resolution Fund was 29,088 (2019: 25,348).

Both contributions to the Bank Deposit Guarantee Fund and Bank Resolution Fund meet the criteria for recognition as taxes and accounted in accordance with IFRIC 21 "Levies" requirements. The liability is recognized at the date when the obligating event occurs and the contribution is recognized as an expense in full on 1st of January of the year in which the payment is made.

30. Personnel expenses

	Group		Bank	
	2020	**2019**	**2020**	**2019**
Salaries	754,871	722,696	705,384	674,068
Social security	17,702	17,406	16,641	16,048
Bonuses	47,643	56,868	44,595	54,584
Post-employment benefits	4,895	4,491	4,895	4,491
Other	8,512	24,738	7,705	21,069
Total	**833,621**	**826,199**	**779,220**	**770,260**

In 2020, the expense related to the Bank defined benefit plan contribution was 5,138 (December 31, 2019: 4,563).

31. Depreciation, amortisation and impairment on tangible and intangible assets

	Group		Bank	
	2020	**2019**	**2020**	**2019**
Depreciation and impairment	190,187	189,570	182,980	183,014
Amortisation	55,128	39,437	53,502	38,162
Total	**245,315**	**229,007**	**236,482**	**221,176**

The difference as at December 31, 2020 between the amount presented in note 14 and the amount presented in note 31 represents depreciation of investment property in total amount of 656 (December 31, 2019: 1,323).

(Amounts in thousands RON)

32. Other operating expense

	Group		Bank	
	2020	2019	2020	2019
Administrative expenses	388,322	445,357	368,089	422,621
Publicity and sponsorships	26,521	35,335	26,216	34,122
Other expenses	50,932	69,428	28,069	59,992
Total	**465,775**	**550,120**	**422,374**	**516,735**

Administrative expenses include for the Bank maintenance expenses, various utilities such as energy and telecommunication, expenses related to short-term leases of 6,823 (December 31, 2019: 8,762) and to leases of low-value assets of 3,347 (December 31, 2019: 3,537), tax on assets of 75,390 as at 2019 and 0 as at December 31,2020. This line also includes audit fees amounting 2,570 for Group, out of which statutory audit in amount of 1,902, assurance services in amount of 634 and other non-assurance services in amount of 34) and 1,863 for Bank (statutory audit in amount of 1,195, assurance services in amount of 634 and other non-assurance services in amount of 34).

33. Cost of risk

	Group		Bank	
	2020	2019	2020	2019
Net impairment allowance for loans	454,747	37,610	426,619	33,457
Net impairment allowance for sundry debtors	31,280	39,771	31,051	40,178
Net impairment allowance for finance lease	13,512	754	-	-
Income from recoveries of derecognized receivables & sales of bad debts	(153,685)	(363,262)	(147,961)	(352,717)
Write-offs	16,409	56,080	12,726	29,899
Financial guarantee and loan contracts provisions	(9,777)	26,522	(9,700)	26,470
Net impairment allowance for debt securities	164	(1,148)	164	(1,148)
Total	**352,650**	**(203,673)**	**312,899**	**(223,861)**

The net cost of risk registered an expense of 353 million (for the Group) and 313 million (for the Bank). Cost of risk was primarily affected by less favourable macroeconomic assumptions with significant impact in the computation for Expected Credit Losses. Overall, ECL levels increased resulting in a net charge to Profit or Loss.

(Amounts in thousands RON)

34. Cash and cash equivalents details

Cash and cash equivalents:

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short term placements at other banks. The amounts in transit in amount of 111,608 (December 31, 2019: 95,449) and loans to banks, with more than 90 days maturity from the date of acquisition in amount of 18,327 (December 31, 2019: 36,653) for the Bank and also the ones amounting 35,523 (December 31, 2019: 54,464) for the Group are excluded. The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

	Group		Bank	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Cash in hand	1,889,556	2,077,373	1,889,552	2,077,340
Current accounts and deposits with banks	5,369,711	3,259,680	5,369,709	3,259,678
Total	**7,259,266**	**5,337,054**	**7,259,261**	**5,337,018**

Impairment and provisions adjustment for non-cash items:

	Group		Bank	
	2020	2019	2020	2019
Net impairment allowance for loans	454,747	37,610	426,619	33,457
Net impairment allowance for sundry debtors	31,280	39,771	31,051	40,178
Net impairment allowance for financial leases	13,512	754	-	-
Write-offs	16,409	56,080	12,726	29,899
Financial guarantee and loan contracts provisions	(9,777)	26,522	(9,700)	26,470
Net movement in other provisions	21,388	13,213	7,341	9,821
Net impairment allowance for debt securities	164	(1,148)	164	(1,148)
Total	**527,723**	**172,802**	**468,201**	**138,677**

35. Other commitments

	Group		Bank	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Tangible non-current assets	5,410	2,700	5,410	2,700
Intangible non-current assets	29,891	35,999	29,891	35,999
Commitments relating to short-term and low value leases	23,433	16,314	23,433	16,314
Total	**58,734**	**55,013**	**58,734**	**55,013**

Other commitments include short term and low value leases, software maintenance contracts and other IT services.

As at December 31, 2020 and December 31, 2019 the future minimum lease payments regarding rents concluded by the Group and Bank as a lessee are:

	Group		Bank	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Less than one year	11,058	6,196	11,058	6,196
Between one and five years	8,560	7,150	8,560	7,150
More than five years	58	320	58	320
Total	**19,676**	**13,666**	**19,676**	**13,666**

(Amounts in thousands RON)

36. Related parties

The Group entered into related party transactions with its parent, other SG entities, subsidiaries, associates and joint venture and key management personnel. All related party transactions were made on substantially the same terms, including interest rates and collateral requirements, as those prevailing for similar transactions with unrelated parties. The transactions/balances with subsidiaries were eliminated for consolidation purposes. The transactions/balances with related parties can be summarized as follows:

	Group							
	2020				2019			
	Parent	Other related parties	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Associates	Key management of the institution
Assets	**1,181,497**	**28,378**	**6,504**	**7,578**	**171,390**	**53,030**	**19,797**	**1,154**
Nostro accounts	71,819	13,747	-	-	17,743	34,457	-	-
Deposits	38,059	-	-	-	33,386	-	-	-
Loans	990,562	14,546	3,370	7,570	36,653	18,402	7,083	1,152
Derivative financial instruments	79,027	-	-	7	76,974	-	-	1
Other assets	2,031	85	3,134	1	6,635	172	12,714	-
Liabilities	**1,571,169**	**180,148**	**77,027**	**14,857**	**1,649,535**	**79,930**	**159,883**	**7,929**
Loro accounts	114	616	-	-	15,338	3,019	-	-
Deposits	68,245	178,284	70,196	14,857	86,531	76,658	148,625	7,929
Borrowings	1,408,309	-	-	-	1,442,612	-	-	-
Derivative financial instruments	41,522	-	-	-	49,823	-	-	-
Other liabilities	52,980	1,248	6,831	-	55,230	253	11,258	-
Commitments	**8,693,844**	**168,417**	**37,794**	**1,014**	**8,991,486**	**41,659**	**21,592**	**72**
Total commitments granted	139,000	75,170	-	577	110,294	20,604	2,021	72
Total commitments received	694,906	85,211	11,924	215	1,003,758	18,126	-	-
Uncommitted facilities granted	-	8,036	25,870	-	-	2,929	19,571	-
Notional amount of foreign exchange transactions	3,589,333	-	-	222	4,535,538	-	-	-
Notional amount of interest rate derivatives	4,270,606	-	-	-	3,341,896	-	-	-
Income statement	**11,372**	**(7,006)**	**25,185**	**135**	**18,894**	**(920)**	**33,718**	**8**
Interest and commision revenues	22,710	6,287	26,747	187	18,748	3,397	24,606	37
Interest and commission expense	(31,951)	(2,859)	(783)	(37)	(30,294)	(1,117)	(1,213)	(27)
Net gain/(loss) on interest rate derivatives	(2,091)	-	-	(2)	10,379	-	-	(1)
Net gain /(loss) on foreign exchange derivatives	43,931	-	-	-	48,048	-	-	-
Dividend income	-	-	6,191	-	-	-	9,146	-
Other income	1,072	(229)	75	-	-	(123)	816	-
Other expenses	(22,299)	(10,205)	(7,045)	(13)	(27,987)	(3,076)	363	-

(Amounts in thousands RON)

36. Related parties (continued)

	Bank									
	2020					**2019**				
	Parent	**Other related parties**	**Subsidiaries**	**Associates & Joint ventures**	**Key management of the institution**	**Parent**	**Other related parties**	**Subsidiaries**	**Associates**	**Key management of the institution**
Assets	**1,143,439**	**28,378**	**44,560**	**4,589**	**7,578**	**138,004**	**53,030**	**36,197**	**15,901**	**1,154**
Nostro accounts	71,819	13,747	-	-	-	17,743	34,457	-	-	-
Loans	990,562	14,546	42,555	3,370	7,570	36,653	18,402	29,778	7,083	1,152
Derivative financial instruments	79,027	-	-	-	7	76,974	-	37	-	1
Other assets	2,031	85	2,005	1,218	1	6,635	172	6,382	8,818	-
Liabilities	**161,894**	**180,133**	**194,979**	**76,040**	**14,857**	**205,823**	**79,914**	**141,139**	**156,547**	**7,929**
Loro accounts	114	616	-	-	-	15,338	3,019	-	-	-
Deposits	68,245	178,284	194,778	70,196	14,857	86,531	76,658	140,906	148,625	7,929
Lease payable	-	-	190	-	-	-	-	232	-	-
Derivative financial instruments	41,522	-	-	-	-	49,823	-	-	-	-
Other liabilities	52,014	1,233	11	5,844	-	54,131	237	-	7,922	-
Commitments	**8,693,844**	**168,417**	**90,141**	**37,794**	**1,014**	**8,991,486**	**41,659**	**124,206**	**21,592**	**72**
Total commitments granted	139,000	75,170	25,144	-	577	110,294	20,604	29,709	2,021	72
Total commitments received	694,906	85,211	-	11,924	215	1,003,758	18,126	-	-	-
Uncommitted facilities granted	-	8,036	64,997	25,870	-	-	2,929	72,990	19,571	-
Notional amount of foreign exchange transactions	3,589,333	-	-	-	222	4,535,538	-	21,507	-	-
Notional amount of interest rate derivatives	4,270,606	-	-	-	-	3,341,896	-	-	-	-
Income statement	**36,551**	**(7,408)**	**17,865**	**14,339**	**148**	**43,167**	**(1,863)**	**51,003**	**22,851**	**8**
Interest and commision revenues	22,042	5,339	17,056	14,494	187	18,063	2,219	17,711	11,951	37
Interest and commission expense	(6,612)	(2,859)	(2,143)	(778)	(37)	(6,023)	(1,117)	(1,354)	(1,210)	(27)
Net gain/(loss) on interest rate derivatives	(2,091)	-	-	-	(2)	10,379	-	-	-	(1)
Net gain /(loss) on foreign exchange derivatives	43,931	-	57	-	-	48,048	-	7	-	-
Dividend income	-	-	-	6,191	-	-	-	30,806	9,146	-
Other income	1,072	(229)	(256)	(0)	-	-	(123)	1,500	743	-
Other expenses	(21,791)	(9,659)	3,152	(5,568)	(13)	(27,300)	(2,842)	2,333	2,222	-

(Amounts in thousands RON)

36. Related parties (continued)

Other liabilities and other expenses include mainly corporate and technical assistance with Societe Generale Paris.

The Bank has collateral received from SG Paris regarding derivative instruments in total amount of 47,088 at December 31, 2020 (December 31, 2019: 49,892).

As of December 31, 2020 the Board of Directors and Managing Committee members own 301,730 shares (2019: 301,730).

Key management personnel benefits for 2020 and 2019:

	Group		Bank	
	2020	**2019**	**2020**	**2019**
Short-term benefits	16,838	14,703	13,028	11,008
Long-term benefits	3,868	4,127	3,583	3,762

(Amounts in thousands RON)

37. Interest in unconsolidated structured entities

According to IFRS 12 applied starting with January 1, 2014 the Group and Bank has to present the interests it has in entities that have been designated so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Group and Bank has identified the investment funds in which it invested during the years and which manages, through the Bank's subsidiary, BRD Asset Management, as being unconsolidated structured entities. The structured entities are financed through the resources (unit funds) received from individuals and corporates that are afterwards placed on monetary and capital markets.

Group interest in unconsolidated structured entities and size of structured entities in 2020:

Name of structured enitity	Carrying amount of financial assets recognised in the reporting institution's balance sheet	Of which: liquidity support drawn	Fair value of liquidity support drawn	Carrying amount of financial liabilities recognised in the reporting institution's sheet	Nominal amount of off-balance sheet items given by the reporting institution	Of which: Nominal amount of loan commitments given	Losses incurred by the reporting institution in the current period	Maximum exposure to loss	Total balance sheet of the structured entity (size)
BRD Simfonia	272,122	249,267	269,981	29,454	-	-	-	272,122	2,110,024
BRD Obligatiuni	29,474	25,303	27,440	6,195	-	-	-	29,474	130,505
BRD Simplu	607	-	-	11,260	-	-	-	607	111,649
BRD Actiuni	10,266	-	-	5,781	-	-	-	10,266	169,353
BRD Diverso	49,627	42,466	43,281	6,292	-	-	-	49,627	278,470
BRD Global	1,214	-	-	3,540	-	-	-	1,214	27,653

(Amounts in thousands RON)

37. Interest in unconsolidated structured entities (continued)

Breakdown of interests in unconsolidated structured entities in 2020:

Name of structured enitity	Selected financial assets recognised in the reporting institution's balance sheet						Selected equity and financial liabilites recognised in the reporting institution's balance sheet					Off-balance sheet items given by the reporting	
	of which: defaulted	Derivatives	Equity instruments	Debt securities	Loans and advances	Total	Equity instruments issued	Derivatives	Deposits	Debt securities issued	Total	of which: defaulted	Total
BRD Simfonia	-	764	22,091	-	249,267	272,122	-	4,956	24,498	-	29,454	-	-
BRD Obligatiuni	-	12	4,159	-	25,303	29,474	-	307	5,888	-	6,195	-	-
BRD Simplu	-	1	606	-	-	607	-	15	11,245	-	11,260	-	-
BRD Actiuni	-	0	10,266	-	-	10,266	-	4	5,777	-	5,781	-	-
BRD Diverso	-	4	7,157	-	42,466	49,627	-	214	6,078	-	6,292	-	-
BRD Global	-	0	1,214	-	-	1,214	-	-	3,540	-	3,540	-	-

Interest in unconsolidated structured entities and size of structured entities in 2019:

Name of structured enitity	Carrying amount of financial assets recognised in the reporting institution's balance sheet	Of which: liquidity support drawn	Fair value of liquidity support drawn	Carrying amount of financial liabilities recognised in the reporting institution's sheet	Nominal amount of off-balance sheet items given by the reporting institution	Of which: Nominal amount of loan commitments given	Losses incurred by the reporting institution in the current period	Maximum exposure to loss	Total balance sheet of the structured entity (size)
BRD Simfonia	17,774	-	-	36,386	-	-	-	17,774	2,531,675
BRD Obligatiuni	3,993	-	-	2,717	-	-	-	3,993	117,650
BRD Global	1,171	-	-	2,336	-	-	-	1,171	14,395
BRD Actiuni	10,262	-	-	11,621	-	-	-	10,262	152,093
BRD Diverso	7,268	-	-	12,976	-	-	-	7,268	210,389

(Amounts in thousands RON)

37. Interest in unconsolidated structured entities (continued)

Breakdown of interests in unconsolidated structured entities in 2019:

Name of structured enitity	Selected financial assets recognised in the reporting institution's balance sheet						Selected equity and financial liabilites recognised in the reporting					Off-balance sheet items	
	of which: defaulted	Derivatives	Equity instruments	Debt securities	Loans and advances	Total	Equity instruments issued	Derivatives	Deposits	Debt securities issued	Total	of which: defaulted	Total
BRD Simfonia	-	1,021	16,753	-	-	17,774	-	1,810	34,576	-	36,386	-	-
BRD Obligatiuni	-	67	3,926	-	-	3,993	-	80	2,636	-	2,717	-	-
BRD Global	-	-	1,171	-	-	1,171	-	-	2,336	-	2,336	-	-
BRD Actiuni	-	-	10,262	-	-	10,262	-	33	11,588	-	11,621	-	-
BRD Diverso	-	35	7,233	-	-	7,268	-	52	12,925	-	12,976	-	-

(Amounts in thousands RON)

38. Contingencies

As of December 31, 2020 the Bank is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 741,664 (December 31, 2019: 899,484.). The amounts disclosed represent the additional potential loss in the event of a negative court decision, the amounts not being provisioned. The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance. The Bank already booked a provision of 16,711 (December 31, 2019: 19,084) and the Group 35,689 (December 31, 2019: 24,014) in relation with the litigations.

39. Earnings per share

Basic earnings per share are calculated by dividing net profit/ (loss) for the reporting period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. As of December 31, 2020 and December 31, 2019 there were no dilutive equity instruments issued by the Group and Bank.

	Group		Bank	
	2020	**2019**	**2020**	**2019**
Ordinary shares on market	696,901,518	696,901,518	696,901,518	696,901,518
Profit attributable to shareholders	962,055	1,492,217	951,565	1,528,523
Earnings per share (in RON)	1.3805	2.1412	1.3654	2.1933

40. Risk management

Risk management within the Group and Bank is based on an integrated concept that takes into account the statutory and regulatory norms as defined and required by the National Bank of Romania, Société Générale risk management standards as well as best practices accepted by the banking industry. The level of risk appetite fully reflects the Group's and Bank's risk management strategy, aiming to support a sustainable growth of its lending activity while reinforcing the Bank's and Group's market position.

Risk governance relies on the three lines of defense model, which reinforces segregation of duties between various control functions.
The *first line* of defense is represented by the business units, which are primarily responsible for the ongoing management of the risks arisen in conducting their daily activities, taking into account the Bank's risk appetite and its existing policies, procedures and controls.
The *second line* of defense is represented by the independent functions overseeing risks, which are responsible for further identifying, measuring, monitoring and reporting risks, while ensuring the compliance with internal and external requirements and providing support to the business/operational functions in executing their duties.
The *third line* of defense is represented by the internal audit function which provides independent review and objective assurance on the quality and effectiveness of the Bank's internal control system, the first and second lines of defense and the risk governance framework.

The Group and Bank's risk management governance is centered along the following axes:

- continuous process of identification, assessment, monitoring, reporting and control, considering risk limits, approval competences, segregation of duties and other mitigation techniques;
- risks are taken within the defined risk appetite approved by the Board of Directors
- strong involvement of the Bank's management body in the risk management system and promotion of risk culture, throughout the entire organizational structure, from the Board of Directors down to operational teams;
- clearly defined internal rules and procedures;
- communication of information regarding risk management across the organization in a timely, accurate, comprehensible and meaningful manner;
- continuous supervision by an independent risk function to monitor risks and to enforce rules and procedures.

The Group and Bank's risk management is organized around two key principles:

- risk assessment departments must be independent from the business divisions;
- the risk management approach and risk monitoring must be consistent throughout the Group and Bank.

The Group and the Bank is exposed to the risks inherent to its core businesses. The main financial assets and liabilities are the loans and advances, lease receivables, amounts placed with NBR, demand and term deposits and borrowings. These instruments are exposed to a series of risks such as credit risk, foreign exchange risk, interest rate risk, liquidity risk and market risk which are discussed below.

40. Risk management (continued)

40.1 Credit risk

Credit risk represents current or future risk of negative impact on profits and capital arising from a debtor's failure to fulfil the contractual obligations or failure to perform as agreed. The credit risk is inherent to traditional banking products - loans, commitments to lend and other contingent liabilities such as letters of credit - and to fair value derivative contracts (refer to the Notes 8, 9, 10, 12 and 38).

The Group and Bank's credit policy is based on the principle that approval of any credit risk undertaking must rely on a sound knowledge of a given client and its business, an understanding of the purpose and structure of the transaction and the sources of debt repayment. As part of Group Société Générale, the Bank has a cash flow based lending approach, meaning the bank expects debt to be serviced primarily through the future cash flow (legal entities)/ income (individuals) generated by the client.

The Group and Bank assesses the quality of its Non Retail portfolio by use of Société Générale's rating system, with a scale from 1 to 10 (1 to 7- in bonis exposures, 8 to 10 – defaulted exposures). Within the in bonis portfolio, the most vulnerable counterparts are grouped into a distinct category (referred to as sensitive, rating class 7) which is subject to increased monitoring requirements, in order to improve reactivity through timely implementation of corrective measures.

The internal rating system is based on models that include both quantitative and qualitative assessment criteria, differentiated by counterparty type and size, in which the expert judgment is a key element. Internal models are developed based on the Group and Bank's available data history and the use of rating model is regulated by internal norms and procedures. Rating review is performed at least once per year, or as soon as new and significant aspects impacting the credit quality of the counterparty occur. This process results in the classification of exposures between sound, sensitive and non performing client status.

Throughout the post approval period, the monitoring of counterparties is conducted on a continuous basis, so that potential vulnerabilities can be identified early and reacted upon. The outcome of monitoring activity is analyzed as an inherent responsibility of commercial and risk structures. Risky counterparts defined according to internally prescribed criteria are closely monitored through dedicated committees, with the aim of defining a strategy towards them and ensuring consistent rating and loss recognition.

Retail counterparties are assessed at origination, based on application scorecards and/or behavioral rating models, and monitored throughout the lifespan of the loans using behavioral rating models.

Security, in the form of collateral (funded protection) or guarantee (unfunded protection), is accepted by the Bank in order to mitigate credit risk and do not serve as a substitute for the borrower's ability to meet obligations. The securities accepted by the Bank in support of granted commitments primarily include real estate, both residential and commercial, guarantees issued by other banks and guarantee funds, equipment and inventories.

Concentration risk related to credit risk is managed primarily through a set of limits established based on the Bank's risk appetite and the expectations on the evolution of the economic environment. The limits are monitored periodically and revised whenever necessary, but at least annually. The set of limits is related to the following dimensions: individual concentration (single name or group of connected clients), economic sector concentration, geographical concentration, concentration by product type/transaction type and credit risk mitigations techniques types.

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Maximum exposure to credit risk before considering any collaterals or guarantees

	Group	
	December 31, 2020	December 31, 2019
ASSETS		
Due from Central Bank	5,223,833	4,765,273
Due from banks	5,516,842	3,409,594
Derivatives and other financial instruments held for trading	2,400,365	1,244,032
Loans, gross	31,534,050	31,883,889
Impairment allowance for loans	(1,891,052)	(1,591,020)
Loans and advances to customers	29,642,998	30,292,869
Finance lease receivables	1,066,899	992,665
Financial assets at fair value through profit and loss	85,240	108,054
Financial assets at fair value through other comprehensive income	15,943,470	12,958,113
Other assets	134,542	151,609
Total assets	**60,014,189**	**53,922,209**
Letters of guarantee granted	4,877,225	5,192,938
Financing commitments granted	4,148,139	3,650,105
Total commitments granted	**9,025,364**	**8,843,044**
Total credit risk exposure	**69,039,553**	**62,765,253**

	Bank	
	December 31, 2020	December 31, 2019
ASSETS		
Due from Central Bank	5,223,833	4,765,273
Due from banks	5,499,644	3,391,780
Derivatives and other financial instruments held for trading	2,400,365	1,244,069
Loans, gross	30,633,863	30,955,516
Impairment allowance for loans	(1,760,842)	(1,488,736)
Loans and advances to customers	28,873,021	29,466,780
Financial assets at fair value through profit and loss	58,384	87,375
Financial assets at fair value through other comprehensive income	15,943,470	12,958,113
Other assets	124,626	144,420
Total assets	**58,123,343**	**52,057,810**
Letters of guarantee granted	4,890,263	5,207,647
Financing commitments granted	3,725,475	3,187,034
Total commitments granted	**8,615,738**	**8,394,681**
Total credit risk exposure	**66,739,081**	**60,452,492**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Analyses of the inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimate ECLs is set out in Note 2 e) Significant accounting judgments and estimates and Note 3 Summary of significant accounting policies. Economic input data is obtained from a team of economists in the Bank and Group Société Générale. To ensure accuracy and completeness, inputs are corroborated with third party sources – economic forecasts issued by specialized institutions.

Expected losses are computed based on three macroeconomic scenarios, each with a corresponding weight: optimistic (10%), baseline (65%) and stress scenario (25%). The table below shows the values of the key forward looking economic variables/ assumptions used in the base and stress economic scenario for the ECL calculation.

The Bank presents the estimation of key drivers for 2020 because these scenarios have produced effects during the year and have been used in the computation of ECL as at 31st of December 2020.

December, 31 2020

Key drivers	**ECL Scenario**	**2020**	**2021**	**2022**
GDP growth [%]				
	Baseline/ Central	-4.5	-4.8	-1.3
	Stress	-4.5	-9.0	-5.5
	Optimistic	-4.5	-3.8	0.7
Unemployment rate [%]				
	Baseline/ Central	5.0	6.0	6.5
	Stress	5.0	7.7	8.5
	Optimistic	5.0	5.4	5.6
Exchange rate RON/EUR [RON]	Baseline/ Central	4.9	5.1	5.1
	Stress	4.9	6.4	6.7
	Optimistic	4.9	5.1	5.1

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Considering the internal rating quality, the exposures of the counterparties not impaired are split in 4 categories which are defined below:

Very good – The counterparty is considered to be very reliable. The capacity to service its debt is very strong.

Good – The counterparty is judged to be of good quality. The capacity to service its debt is strong but counterparty is somewhat more sensitive to adverse changes in circumstances and economic conditions.

Standard grade – The counterparty has an average solvency. The ability to service its debt is still sufficient, but more likely to be undermined by unfavourable economic conditions and changes in circumstances.

Sub-standard grade - The counterparty reflected credit behaviour or financial deterioration implying increased credit risk. Timely debt service repayment is uncertain and depends on favourable economic and financial conditions. Close and more frequent monitoring of the client's capacity to service the bank debt is needed, in order to be able to react to a potential deterioration via implementation of corrective measures.

The corresponding PD interval is depicted below:

Category	**PD Interval**
Very good grade	[0,00%;0,74%)
Good grade	[0,74%;3,88%)
Standard grade	[3,88%;12,79%)
Sub-standard grade	>12,79%

Analysis of due from banks by credit rating

	Group		**Bank**	
	2020	**2019**	**2020**	**2019**
Internal rating grade				
Very good grade	5,478,889	3,305,521	5,461,691	3,287,707
Good grade	31,732	101,166	31,732	101,166
Standard grade	452	51	452	51
Not rated internally	5,860	3,108	5,860	3,108
Total	**5,516,933**	**3,409,846**	**5,499,735**	**3,392,032**
Less allowance	(91)	(252)	(91)	(252)
Net Carying amount	**5,516,842**	**3,409,594**	**5,499,644**	**3,391,780**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance

Group

%	December 31, 2020									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	69.3%	62.8%	75.7%	77.1%	64.0%	61.4%	42.9%	9.5%	70.8%	66.9%
Agriculture, forestry and fishing	2.0%	3.0%	2.5%	2.1%	1.5%	1.1%	0.1%	0.1%	2.1%	1.7%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	4.4%	5.1%	6.8%	4.1%	4.3%	5.2%	3.7%	2.3%	5.0%	4.7%
Electricity, gas, steam and air conditioning supply	2.7%	3.9%	1.3%	3.6%	0.2%	0.3%	0.0%	0.0%	2.2%	2.0%
Water supply	0.5%	0.8%	0.1%	0.2%	0.3%	0.3%	0.0%	0.0%	0.4%	0.3%
Construction	1.0%	1.1%	0.5%	0.3%	10.3%	12.5%	1.4%	0.6%	1.2%	6.2%
Wholesale and retail trade	7.6%	8.2%	2.7%	1.6%	4.6%	5.2%	5.3%	9.4%	6.1%	4.2%
Transport and storage	1.4%	2.0%	1.8%	2.2%	0.6%	0.7%	0.0%	0.0%	1.5%	1.4%
Accommodation and food service activities	0.6%	0.9%	0.5%	0.9%	3.4%	2.8%	0.6%	0.5%	0.7%	1.8%
Information and communication	2.2%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	0.3%
Financial institutions	1.7%	2.4%	3.1%	1.1%	0.0%	0.0%	0.0%	0.0%	2.0%	0.7%
Real estate activities	1.2%	1.7%	2.7%	3.7%	1.2%	1.5%	45.3%	77.7%	1.7%	3.7%
Professional, scientific and technical activities	0.4%	0.4%	0.3%	0.3%	3.1%	4.0%	0.0%	0.0%	0.4%	2.0%
Administrative and support service activities	0.1%	0.1%	0.1%	0.1%	0.5%	0.6%	0.0%	0.0%	0.1%	0.3%
Public administration and defence, compulsory social security	4.2%	4.3%	0.7%	0.7%	5.5%	3.7%	0.0%	0.0%	3.3%	2.5%
Education	0.0%	0.0%	0.4%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Human health services and social work activities	0.5%	0.8%	0.6%	0.7%	0.3%	0.4%	0.7%	0.0%	0.6%	0.6%
Arts, entertainment and recreation	0.0%	0.0%	0.2%	0.5%	0.3%	0.4%	0.0%	0.0%	0.1%	0.4%
Other services	0.2%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Loans to individuals include mortgage loans, consumer loans and overdrafts.

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank	December 31, 2020									
%	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	68.8%	59.2%	76.1%	77.1%	61.1%	57.5%	42.9%	9.5%	70.5%	65.0%
Agriculture, forestry and fishing	1.6%	3.1%	2.3%	2.0%	0.8%	0.7%	0.1%	0.1%	1.8%	1.5%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	4.5%	5.6%	6.9%	4.2%	4.8%	5.8%	3.7%	2.3%	5.2%	5.0%
Electricity, gas, steam and air conditioning supply	2.7%	4.3%	1.3%	3.6%	0.2%	0.3%	0.0%	0.0%	2.2%	2.1%
Water supply	0.5%	0.9%	0.1%	0.2%	0.3%	0.3%	0.0%	0.0%	0.4%	0.3%
Construction	1.1%	1.2%	0.5%	0.3%	11.4%	14.1%	1.4%	0.6%	1.2%	6.7%
Wholesale and retail trade	7.8%	9.1%	2.7%	1.7%	5.0%	5.8%	5.3%	9.4%	6.3%	4.5%
Transport and storage	1.2%	2.0%	1.5%	2.0%	0.6%	0.6%	0.0%	0.0%	1.2%	1.3%
Accommodation and food service activities	0.7%	1.0%	0.5%	0.9%	3.7%	3.2%	0.6%	0.5%	0.7%	1.9%
Information and communication	2.3%	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	0.3%
Financial institutions	2.0%	2.6%	3.1%	1.1%	0.0%	0.0%	0.0%	0.0%	2.2%	0.7%
Real estate activities	1.2%	1.9%	2.7%	3.7%	1.3%	1.7%	45.3%	77.7%	1.7%	4.0%
Professional, scientific and technical activities	0.4%	0.5%	0.2%	0.3%	3.5%	4.5%	0.0%	0.0%	0.4%	2.2%
Administrative and support service activities	0.2%	0.1%	0.1%	0.1%	0.5%	0.7%	0.0%	0.0%	0.2%	0.4%
Public administration and defence, compulsory social security	4.3%	4.8%	0.7%	0.7%	6.1%	4.1%	0.0%	0.0%	3.4%	2.7%
Education	0.0%	0.0%	0.5%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Human health services and social work activities	0.6%	0.9%	0.6%	0.7%	0.3%	0.4%	0.7%	0.0%	0.6%	0.6%
Arts, entertainment and recreation	0.0%	0.0%	0.2%	0.5%	0.3%	0.4%	0.0%	0.0%	0.1%	0.4%
Other services	0.2%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Loans to individuals include mortgage loans, consumer loans and overdrafts.

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance (continued)

Group	December 31, 2019									
%	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	67.9%	81.9%	83.8%	81.9%	62.4%	57.4%	35.3%	5.0%	70.4%	65.3%
Agriculture, forestry and fishing	1.8%	1.7%	2.6%	2.9%	2.0%	1.9%	2.2%	2.8%	1.9%	2.2%
Mining and quarrying	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Manufacturing	5.3%	3.3%	2.1%	1.0%	5.1%	5.8%	2.5%	3.5%	4.7%	4.2%
Electricity, gas, steam and air conditioning supply	3.0%	1.1%	2.5%	6.5%	0.6%	0.6%	0.0%	0.0%	2.8%	2.1%
Water supply	0.2%	0.3%	0.5%	0.5%	0.3%	0.3%	0.1%	0.0%	0.3%	0.3%
Construction	0.3%	0.3%	0.7%	0.6%	11.6%	13.7%	11.2%	14.8%	0.9%	8.7%
Wholesale and retail trade	5.9%	3.6%	3.9%	1.4%	6.1%	7.1%	6.1%	9.2%	5.5%	5.3%
Transport and storage	1.8%	1.2%	0.8%	0.6%	0.6%	0.6%	0.2%	0.1%	1.5%	0.7%
Accommodation and food service activities	0.4%	0.3%	0.2%	0.1%	4.3%	4.0%	0.0%	0.0%	0.5%	2.4%
Information and communication	2.7%	1.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	2.1%	0.2%
Financial institutions	4.0%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%	0.2%
Real estate activities	1.8%	1.4%	0.0%	0.0%	1.3%	1.6%	42.4%	64.6%	1.6%	2.9%
Professional, scientific and technical activities	0.4%	0.4%	0.3%	0.4%	3.4%	4.3%	0.0%	0.0%	0.5%	2.7%
Administrative and support service activities	0.1%	0.1%	0.1%	0.0%	0.5%	0.6%	0.0%	0.0%	0.1%	0.4%
Public administration and defence, compulsory social security	3.7%	1.7%	1.5%	2.7%	1.2%	1.2%	0.0%	0.0%	3.2%	1.6%
Education	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Human health services and social work activities	0.6%	0.5%	0.2%	0.3%	0.4%	0.4%	0.0%	0.0%	0.5%	0.4%
Arts, entertainment and recreation	0.0%	0.0%	0.1%	0.1%	0.3%	0.3%	0.0%	0.0%	0.0%	0.2%
Other services	0.0%	0.0%	0.7%	0.9%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Loans to individuals include mortgage loans, consumer loans and overdrafts.

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank	December 31, 2019									
%	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Individuals	67.5%	80.4%	84.5%	82.3%	59.9%	54.1%	35.3%	5.0%	70.2%	63.4%
Agriculture, forestry and fishing	1.5%	1.7%	2.2%	2.6%	2.0%	2.0%	2.2%	2.8%	1.7%	2.1%
Mining and quarrying	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Manufacturing	5.4%	3.7%	2.1%	1.0%	5.4%	6.3%	2.5%	3.5%	4.8%	4.5%
Electricity, gas, steam and air conditioning supply	3.1%	1.2%	2.5%	6.7%	0.6%	0.6%	0.0%	0.0%	2.9%	2.2%
Water supply	0.2%	0.3%	0.5%	0.5%	0.4%	0.3%	0.1%	0.0%	0.3%	0.4%
Construction	0.3%	0.3%	0.6%	0.6%	12.4%	14.8%	11.2%	14.8%	0.9%	9.3%
Wholesale and retail trade	6.0%	3.9%	3.9%	1.3%	6.5%	7.7%	6.1%	9.2%	5.7%	5.6%
Transport and storage	1.5%	1.1%	0.4%	0.3%	0.5%	0.5%	0.2%	0.1%	1.2%	0.5%
Accommodation and food service activities	0.4%	0.3%	0.2%	0.1%	4.6%	4.3%	0.0%	0.0%	0.5%	2.6%
Information and communication	2.8%	1.2%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	2.2%	0.2%
Financial institutions	4.3%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%	0.2%
Real estate activities	1.9%	1.5%	0.0%	0.0%	1.4%	1.8%	42.4%	64.6%	1.6%	3.1%
Professional, scientific and technical activities	0.4%	0.5%	0.3%	0.3%	3.6%	4.6%	0.0%	0.0%	0.5%	2.8%
Administrative and support service activities	0.1%	0.1%	0.1%	0.0%	0.5%	0.7%	0.0%	0.0%	0.1%	0.4%
Public administration and defence, compulsory social security	3.8%	1.9%	1.5%	2.8%	1.3%	1.3%	0.0%	0.0%	3.3%	1.7%
Education	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Human health services and social work activities	0.6%	0.5%	0.2%	0.3%	0.4%	0.5%	0.0%	0.0%	0.5%	0.4%
Arts, entertainment and recreation	0.0%	0.0%	0.1%	0.1%	0.3%	0.3%	0.0%	0.0%	0.0%	0.2%
Other services	0.0%	0.0%	0.7%	1.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Loans to individuals include mortgage loans, consumer loans and overdrafts.

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Analysis of collateral coverage – Loans and advances

Group

December 31, 2020

	Over-collateralized exposure	Collaterals & Guarantees	Under-collateralized exposure	Collaterals & Guarantees
Non-retail lending	1,401,321	3,459,451	7,045,813	1,449,468
Retail lending	13,897,018	22,310,395	9,189,897	710,863
Small business lending	297,204	758,185	458,647	161,782
Consumer lending	17,255	43,501	8,076,982	1,397
Residential mortgages	13,582,559	21,508,709	654,268	547,684
Total	**15,298,339**	**25,769,846**	**16,235,710**	**2,160,331**
out of which non-performing				
Non-retail lending	184,751	472,789	243,150	131,305
Retail lending	263,398	534,762	425,416	50,940
Small business lending	12,471	51,204	13,183	2,243
Consumer lending	681	1,085	339,449	4
Residential mortgages	250,246	482,472	72,784	48,693
Total	**448,149**	**1,007,551**	**668,567**	**182,245**

December 31, 2019

	Over-collateralized exposure	Collaterals & Guarantees	Under-collateralized exposure	Collaterals & Guarantees
Non-retail lending	1,722,226	3,766,164	7,068,091	1,227,303
Retail lending	13,633,897	21,506,924	9,459,674	784,021
Small business lending	260,400	679,561	382,749	41,871
Consumer lending	16,202	41,651	8,185,931	2,502
Residential mortgages	13,357,295	20,785,711	890,994	739,648
Total	**15,356,123**	**25,273,087**	**16,527,765**	**2,011,324**
out of which non-performing				
Non-retail lending	298,939	679,695	168,977	84,869
Retail lending	319,030	652,806	431,352	82,691
Small business lending	28,078	93,264	15,302	3,655
Consumer lending	898	1,075	302,393	2
Residential mortgages	290,054	558,467	113,657	79,034
Total	**617,970**	**1,332,501**	**600,329**	**167,560**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Analysis of collateral coverage – Loans and advances (continued)

Bank

December 31, 2020

	Over - collateralized exposure	Collaterals & Guarantees	Under-collateralized exposure	Collaterals & Guarantees
Non-retail lending	1,279,127	3,270,785	7,072,163	1,435,207
Retail lending	13,823,236	22,181,550	8,459,336	707,788
Small business lending	223,422	629,341	453,763	158,707
Consumer lending	17,255	43,501	7,351,306	1,397
Residential mortgages	13,582,559	21,508,709	654,268	547,684
Total	**15,102,364**	**25,452,335**	**15,531,499**	**2,142,995**
out of which non-performing				
Non-retail lending	182,392	468,374	240,413	130,080
Retail lending	263,398	534,762	425,416	50,940
Small business lending	12,471	51,204	13,183	2,243
Consumer lending	681	1,085	339,449	4
Residential mortgages	250,246	482,472	72,784	48,693
Total	**445,791**	**1,003,135**	**665,830**	**181,020**

December 31, 2019

	Over - collateralized exposure	Collaterals & Guarantees	Under-collateralized exposure	Collaterals & Guarantees
Non-retail lending	1,596,920	3,590,117	7,086,979	1,218,451
Retail lending	13,561,599	21,394,473	8,710,017	767,852
Small business lending	188,102	567,110	364,379	25,702
Consumer lending	16,202	41,651	7,454,644	2,502
Residential mortgages	13,357,295	20,785,711	890,994	739,648
Total	**15,158,520**	**24,984,589**	**15,796,996**	**1,986,303**
out of which non-performing				
Non-retail lending	298,517	679,032	167,738	84,869
Retail lending	318,429	651,892	431,953	82,691
Small business lending	27,478	92,350	14,675	3,655
Consumer lending	898	1,075	303,621	2
Residential mortgages	290,054	558,467	113,657	79,034
Total	**616,946**	**1,330,924**	**599,691**	**167,560**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Analysis of collateral coverage for finance lease receivables

December 31, 2020

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	725,409	1,096,658	70,395	46,633
Retail lending	324,564	517,283	26,852	12,735
Small business lending (retail) & residential	324,411	517,005	26,681	12,651
Consumer lending	154	279	171	85
Total	**1,049,973**	**1,613,941**	**97,247**	**59,368**

December 31, 2019

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	630,748	941,754	132,902	100,426
Retail lending	279,822	434,805	20,450	6,259
Small business lending (retail) & residential	279,275	433,858	20,118	6,062
Consumer lending	548	947	332	197
Total	**910,570**	**1,376,559**	**153,352**	**106,685**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Rating analysis of loans

Group — **Retail lending** — **December 31, 2020**

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,168,748	10,792	-	-	11,179,540
Good grade	2,809,964	4,030,807	-	-	6,840,771
Standard grade	889,118	1,718,855	-	-	2,607,973
Sub-standard grade	-	929,590	-	14,308	943,898
Non- performing	-	-	676,735	12,080	688,815
(out of which) Individual assessment	-	-	47,792	-	47,792
Not rated internally	695,003	17,883	113,032	-	825,918
Total	15,562,833	6,707,926	789,767	26,388	23,086,915
Less allowance	(136,252)	(597,234)	(572,879)	(3,955)	(1,310,320)
Net Carying amount	**15,426,581**	**6,110,692**	**216,888**	**22,434**	**21,776,595**

Non-Retail lending — **December 31, 2020**

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	427,956	-	-	-	427,956
Good grade	3,462,227	876,300	-	-	4,338,527
Standard grade	2,233,275	611,507	-	-	2,844,783
Sub-standard grade	3,524	404,444	-	-	407,968
Non- performing	-	-	394,964	32,936	427,901
(out of which) Individual assessment	-	-	333,215	31,089	364,304
Total	6,126,982	1,892,252	394,964	32,936	8,447,135
Less allowance	(72,613)	(157,710)	(320,906)	(29,502)	(580,731)
Net Carying amount	**6,054,370**	**1,734,542**	**74,059**	**3,434**	**7,866,404**

Total — **December 31, 2020**

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,596,704	10,792	-	-	11,607,496
Good grade	6,272,191	4,907,107	-	-	11,179,298
Standard grade	3,122,393	2,330,362	-	-	5,452,755
Sub-standard grade	3,524	1,334,034	-	14,308	1,351,866
Non- performing	-	-	1,071,699	45,017	1,116,716
(out of which) Individual assessment	-	-	381,007	31,089	412,096
Not rated internally	695,003	17,883	113,032	-	825,918
Total	21,689,815	8,600,178	1,184,731	59,325	31,534,050
Less allowance	(208,865)	(754,945)	(893,785)	(33,457)	(1,891,051)
Net Carying amount	**21,480,950**	**7,845,233**	**290,947**	**25,868**	**29,642,999**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Rating analysis of loans (continued)

Bank

Retail lending December 31, 2020	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,168,748	10,792	-	-	11,179,540
Good grade	2,809,964	4,030,807	-	-	6,840,771
Standard grade	889,118	1,718,855	-	-	2,607,973
Sub-standard grade	-	929,590	-	14,308	943,898
Non- performing	-	-	676,735	12,080	688,815
(out of which) Individual assessment	-	-	47,792	-	47,792
Not rated internally	21,567	9	-	-	21,576
Total	14,889,396	6,690,053	676,735	26,388	22,282,572
Less allowance	(116,439)	(588,818)	(477,017)	(3,956)	(1,186,230)
Net Carying amount	**14,772,957**	**6,101,234**	**199,718**	**22,433**	**21,096,342**

Non-Retail lending December 31, 2020	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	427,956	-	-	-	427,956
Good grade	3,486,630	872,874	-	-	4,359,504
Standard grade	2,160,477	592,937	-	-	2,753,414
Sub-standard grade	3,524	384,088	-	-	387,612
Non- performing	-	-	389,869	32,936	422,805
(out of which) Individual assessment	-	-	333,215	31,089	364,304
Total	6,078,587	1,849,899	389,869	32,936	8,351,291
Less allowance	(72,116)	(154,895)	(318,100)	(29,502)	(574,612)
Net Carying amount	**6,006,472**	**1,695,004**	**71,769**	**3,434**	**7,776,679**

Total December 31, 2020	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,596,704	10,792	-	-	11,607,496
Good grade	6,296,593	4,903,681	-	-	11,200,275
Standard grade	3,049,595	2,311,792	-	-	5,361,387
Sub-standard grade	3,524	1,313,677	-	14,308	1,331,509
Non- performing	-	-	1,066,604	45,017	1,111,620
(out of which) Individual assessment	-	-	381,007	31,089	412,096
Not rated internally	21,567	9	-	-	21,576
Total	20,967,984	8,539,951	1,066,604	59,325	30,633,863
Less allowance	(188,555)	(743,714)	(795,117)	(33,457)	(1,760,842)
Net Carying amount	**20,779,429**	**7,796,237**	**271,487**	**25,868**	**28,873,021**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Rating analysis of loans (continued)

Group	**Retail lending December 31, 2019**				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	13,335,446	751,272	-	-	14,086,718
Good grade	2,416,141	1,854,944	-	-	4,271,085
Standard grade	916,937	1,506,657	-	-	2,423,594
Sub-standard grade	-	703,916	-	12,449	716,365
Non- performing	-	-	738,339	12,044	750,383
(out of which) Individual assessment	-	-	66,838	-	66,838
Not rated internally	738,524	25,621	81,282	-	845,427
Total	17,407,048	4,842,410	819,620	24,493	23,093,572
Less allowance	(177,032)	(331,521)	(573,551)	(3,391)	(1,085,494)
Net Carying amount	**17,230,016**	**4,510,890**	**246,070**	**21,102**	**22,008,078**

	Non-Retail lending December 31, 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	440,463	-	-	-	440,463
Good grade	4,274,977	37,417	-	-	4,312,394
Standard grade	2,894,789	181,908	-	-	3,076,697
Sub-standard grade	-	492,847	-	-	492,847
Non- performing	-	-	427,369	40,547	467,916
(out of which) Individual assessment	-	-	355,176	39,999	395,175
Total	7,610,229	712,172	427,369	40,547	8,790,317
Less allowance	(36,036)	(64,211)	(366,292)	(38,987)	(505,526)
Net Carying amount	**7,574,193**	**647,961**	**61,077**	**1,560**	**8,284,791**

	Total December 31, 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	13,775,909	751,272	-	-	14,527,181
Good grade	6,691,118	1,892,361	-	-	8,583,479
Standard grade	3,811,726	1,688,566	-	-	5,500,291
Sub-standard grade	-	1,196,763	-	12,449	1,209,212
Non- performing	-	-	1,165,708	52,591	1,218,299
(out of which) Individual assessment	-	-	422,013	39,999	462,012
Not rated internally	738,524	25,621	81,282	-	845,427
Total	25,017,277	5,554,582	1,246,989	65,040	31,883,889
Less allowance	(213,068)	(395,732)	(939,843)	(42,378)	(1,591,020)
Net Carying amount	**24,804,209**	**5,158,850**	**307,147**	**22,663**	**30,292,869**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Rating analysis of loans (continued)

Bank	Retail lending December 31, 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	13,335,446	751,272	-	-	14,086,718
Good grade	2,416,141	1,854,944	-	-	4,271,085
Standard grade	916,937	1,506,657	-	-	2,423,594
Sub-standard grade	-	703,916	-	12,449	716,365
Non- performing	-	-	738,339	12,044	750,383
(out of which) Individual assessment	-	-	66,838	-	66,838
Not rated internally	23,473	-	-	-	23,473
Total	16,691,997	4,816,789	738,339	24,493	22,271,617
Less allowance	(157,955)	(322,838)	(503,580)	(3,391)	(987,765)
Net Carying amount	**16,534,041**	**4,493,951**	**234,759**	**21,102**	**21,283,853**

	Non-Retail lending December 31, 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	440,463	-	-	-	440,463
Good grade	4,289,933	37,314	-	-	4,327,247
Standard grade	2,818,597	152,011	-	-	2,970,608
Sub-standard grade	-	479,326	-	-	479,326
Non- performing	-	-	425,707	40,547	466,255
(out of which) Individual assessment	-	-	355,176	39,999	395,175
Total	7,548,993	668,651	425,707	40,547	8,683,899
Less allowance	(35,587)	(61,187)	(365,211)	(38,987)	(500,972)
Net Carying amount	**7,513,406**	**607,464**	**60,497**	**1,560**	**8,182,927**

	Total December 31, 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	13,775,909	751,272	-	-	14,527,181
Good grade	6,706,074	1,892,258	-	-	8,598,333
Standard grade	3,735,533	1,658,668	-	-	5,394,202
Sub-standard grade	-	1,183,242	-	12,449	1,195,691
Non- performing	-	-	1,164,046	52,591	1,216,637
(out of which) Individual assessment	-	-	422,013	39,999	462,012
Not rated internally	23,473	-	-	-	23,473
Total	24,240,990	5,485,440	1,164,046	65,040	30,955,516
Less allowance	(193,543)	(384,025)	(868,791)	(42,378)	(1,488,736)
Net Carying amount	**24,047,447**	**5,101,415**	**295,255**	**22,663**	**29,466,780**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Rating analysis of Finance Lease receivables

	Retail December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Not rated internally	297,769	27,393	26,255	351,417
Total	297,769	27,393	26,255	351,417
Less allowance	(1,291)	(1,927)	(16,476)	(19,694)
Net Carying amount	**296,478**	**25,466**	**9,779**	**331,722**

	Non-Retail December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Internal rating grade				
Good grade	156,700	23,927	-	180,627
Standard grade	334,382	139,176	-	473,558
Sub-standard grade	-	75,005	-	75,005
Non- performing	-	-	61,493	61,493
Not rated internally	-	4,989	132	5,121
Total	491,082	243,097	61,625	795,803
Less allowance	(2,710)	(16,351)	(41,566)	(60,627)
Net Carying amount	**488,372**	**226,745**	**20,060**	**735,177**

	Total December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Internal rating grade				
Good grade	156,700	23,927	-	180,627
Standard grade	334,382	139,176	-	473,558
Sub-standard grade	-	75,005	-	75,005
Non- performing	-	-	61,493	61,493
Not rated internally	297,769	32,382	26,387	356,538
Total	788,850	270,490	87,880	1,147,220
Less allowance	(4,001)	(18,279)	(58,042)	(80,321)
Net Carying amount	**784,850**	**252,211**	**29,838**	**1,066,899**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Rating analysis of Finance Lease receivables:

	Retail December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Not rated internally	250,474	32,228	17,570	300,272
Total	250,474	32,228	17,570	300,272
Less allowance	(934)	(2,030)	(13,836)	(16,800)
Net Carying amount	**249,540**	**30,198**	**3,734**	**283,472**

	Non-Retail December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Internal rating grade				
Good grade	149,025	3,413	94	152,531
Standard grade	402,862	98,735	1,361	502,958
Sub-standard grade	518	50,895	1,119	52,532
Non- performing	-	-	45,502	45,502
Not rated internally	-	8,310	1,817	10,127
Total	552,405	161,353	49,892	763,650
Less allowance	(2,702)	(11,436)	(40,319)	(54,456)
Net Carying amount	**549,703**	**149,917**	**9,574**	**709,194**

	Total December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Internal rating grade				
Good grade	149,025	3,413	94	152,531
Standard grade	402,862	98,735	1,361	502,958
Sub-standard grade	518	50,895	1,119	52,532
Non- performing	-	-	45,502	45,502
Not rated internally	250,474	40,538	19,387	310,399
Total	802,879	193,581	67,462	1,063,922
Less allowance	(3,636)	(13,465)	(54,155)	(71,256)
Net Carying amount	**799,243**	**180,115**	**13,308**	**992,666**

40. Risk management (continued)

40.1 Credit risk (continued)

Guarantees and other credit commitments

Guarantees and letters of credit

The Group and Bank issues guarantees and letters of credit for its customers. The primary purpose of letters of credit is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group and Bank will make payments in the event that a customer cannot meet its obligations (delivery of goods, documents submitting, etc) to third parties with which it entered previously into a contractual relationship, carry a similar credit risk as loans once they are executed.

The market and credit risks on these financial instruments, as well as the operational risk are similar to those arising from granting of loans. In the event of a claim on the Group and Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Group and Bank.

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Credit related commitments

Financing commitments represent unused amounts of approved credit facilities.

The Group and Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments does not necessarily represent future cash requirements, since many of these commitments will expire or be terminated without being funded.

	Group		Bank	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Letters of guarantee granted	4,877,225	5,192,938	4,890,263	5,207,647
Financing commitments granted	4,148,139	3,650,105	3,725,475	3,187,034
Total commitments granted	**9,025,364**	**8,843,043**	**8,615,738**	**8,394,681**
Uncommitted facilities granted	**9,048,662**	**7,752,222**	**9,113,659**	**7,825,212**
Letters of guarantee received	15,592,838	14,474,866	15,592,838	14,474,866
Financing commitments received	486,940	716,895	486,940	716,895
Total commitments received	**16,079,778**	**15,191,761**	**16,079,778**	**15,191,761**

40.2 Market risk

Market risks represents the possibility of experiencing losses arising from unfavorable changes in market parameters used to evaluate financial instruments (exchange rates, interest rates, securities' prices, commodities etc) and might be incurred both by the trading book transactions and by the banking book positions.

The management of market risks is a continuous process, whose primary aim is to identify and measure the market risks induced by the business activities undergone by the entity.

Trading Book related market risks

The trading activity's business model is mainly driven by the clients' needs, trading portfolio comprising mostly transactions with bonds issued by Romanian Government (firm or reversible transactions), forward and swap deals on foreign exchange or interest rate, as well as options on different underlyings (foreign exchange, interest rates and equities).

Although the trading book portfolio generates a small portion of the Bank's entire exposure to market risks (mainly interest rate risk and foreign exchange risk), it is monitored separately from the banking book portfolio. The identified risks are further reported to the bank's management and to the Group, ensuring timely distribution of accurate information for decision-making processes.

The risk awareness related to the trading book activity is embraced by all actors pertaining to the Financial Markets Perimeter, several sets of controls, some of them with daily frequency, being undertaken within each unit. The functional independence conferred to the risk line from the business line, translated in an independent follow-up of risks conducted at the Market Risk Department level, guarantees a fair, unbiased picture of BRD's exposure to traded market risks.

40. Risk management (continued)

40.2 Market risk (continued)

The foundation of an efficient management framework addressing market risks relies on the main principles listed below:

- frequent update of the risk management framework, to comply with regulatory requisites, permanently adapted to market evolutions and internal changes;
- ongoing improvement of the market risk practice, aligned with the best market practices;
- validation of valuation techniques used to calculate risks metrics and results;
- defining risk measurement models and provisions for the market risks assumed (reserves);
- authorization of various market risk limits, consistent with the stated market risk appetite;
- approval of the instruments allowed for trading (new products or significant changes);
- involvement in designing the functionalities of the IT systems, data flows and operational procedures;
- monitoring and analyzing exposures and limits compliance, periodical dissemination of essential data mirroring the bank's exposure to market risks to the management bodies.

On an annual basis, the market risk appetite is approved by the Board of Directors, being aligned with the Bank's business strategy. The top-down approach transposes this high level indicator into limits, accessible to middle management and executive functions, calibrated on different measurement types (nominal, sensitivity, stress test results, VaR and SVaR levels).

To properly support day to day banking activities a daily report, presenting all the market risk indicators, is delivered to the personnel acting in the Financial Markets Perimeter, to the management of Risk Department and to the Group.

The process of monitoring the limit compliance blends together the daily metrics report with the monthly analysis of the trading book activitity, and the quarterly summaries submitted to the General Management.

The assesment process of trading book related market risks is designed accordingly with the Group's methodology, combining three main risk approaches:

- Trading VaR, accompanied by SVaR;
- Stress test scenarios, based on shocks derived from historical and hypothetical scenarios;
- Complementary indicators (sensitivities, nominal, etc) which decompose the global indicators into specific ones, enabling the identification of risk areas, concentration on products, maturities that might lead to important risks unrevealed by the global risk metrics.

Value at Risk (VAR)

The purpose of VaR is to determine a maximum potential loss the bank might incur from the trading activity, over a given period of time, with a certain level of confidence. In accordance with the provisions of the EU Regulation no. 575/2013 - Art. 365 (1), BRD daily computes the VaR level for 1-day holding period, based on historical approach, with a confidence level of 99%.
The relevance of the VaR model is assessed through back testing, by comparing the daily trading result with the loss estimated by the model, and is performed with daily frequency, in order to forewarn of the need to recalibrate the computational model or to reconsider the observation period of the market parameters. The model's accuracy is tested by comparing the number of days with negative P&L exceeding the VaR figure with the number of expected overshoots (induced by the model's assumptions).

(Amounts in thousands RON)

40. Risk management (continued)

40.2 Market risk (continued)

Should a breach occur, an investigation is conducted to identify its root cause and the event is escaladed to the management body of the Financial Markets' Perimeter.
The VaR model developed in BRD is used for management purposes only and is not transposed into capital requirements.

99% VAR (1 DAY) - KEY FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2019	0.10	0.22	0.07	0.19	0.38
2020	0.21	0.60	0.13	0.43	0.71

Stressed VAR (SVAR)

SVaR estimates a maximum potential loss from trading activity, for 1-day horizon and with 99% confidence level, as a consequence of adverse market movements associated with a financial crisis. SVaR is computed using the same approach as VaR, the only difference being that, in the case of SVaR, the observation period for the risk factors is fixed to a window of 12 consecutive months marked by extreme market events, according to the provisions of EU Regulation no. 575/2013 - Art. 365 (2).

The appropriateness of the one-year chosen window is assessed by comparing the SVaR level with the VaR level. If the VaR/SVaR ratio exceeds the 90% threshold at least three times during a quarter, the plausibility of the window must be reassessed. The range of daily VaR/SVaR values is analyzed periodically for signals on the need to review the SVaR period.

99% SVAR (1 DAY) - KEY FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2019	0.90	1.41	0.55	1.34	2.26
2020	1.43	1.80	0.70	1.75	3.37

Stress test assessment

<u>Methodology</u>

The stress test assessment is one of the main pillars of the market risk management framework, being complementary to VaR and compensating the limitation of the historical VaR methodology. While the VaR model considers historical movements of the risk factors occurred in the past, the stress testing environment incubates theoretical hypothesis or market event-specific scenario describing large, abrupt changes of the underlying risk factors. On a daily basis, a range of hypothetical models picturing extreme shocks are mixed with various historical scenarios and are applied for the entire trading book portfolio of the Bank.
A global stress test metric is computed and compared against the approved limit, derived from the market risk appetite stated in Bank's strategy.

(Amounts in thousands RON)

40. Risk management (continued)

40.2 Market risk (continued)

The various stress test scenarios are subject to review and improvement, the accuracy of the assumptions used under the active patterns being regularly monitored. The hypothesis validation aims to certify that the shocks applied are still harsh enough and they model an unlikely event, otherwise timely detecting the necessity to recalibrate them.

The table below presents the result of applying the stress test methodology on the trading book portfolio.

STRESS TEST ASSESSMENT - KEY NEGATIVE FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2019	4.26	6.66	2.70	7.01	12.04
2020	5.70	11.01	2.25	9.53	14.49

Foreign exchange risk

The foreign exchange risk is the risk of loss resulting from changes in exchange rates, monitored for all books. The Group and Bank manages the foreign currency risk by using limits for the open foreign currency positions both by currency and at the level of global foreign currency position.

The table below indicates the currencies to which the Group and Bank had an exposure as at December 31st on its assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against RON, with all other variables held constant, on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against RON would have resulted in an equivalent but opposite impact.

The estimated impact below does not include the impact recorded in income statement of the period:

2020	**Group**			**Bank**		
Currency	**Change in currency rate %**	**Effect on profit before tax**	**Effect on equity**	**Change in currency rate %**	**Effect on profit before tax**	**Effect on equity**
EUR	+5	1,405	10,891	+5	1,851	10,891
Other	+5	(181)	729	+5	(183)	729

2019	**Group**			**Bank**		
Currency	**Change in currency rate %**	**Effect on profit before tax**	**Effect on equity**	**Change in currency rate %**	**Effect on profit before tax**	**Effect on equity**
EUR	+5	1,164	7,292	+5	1,871	7,292
Other	+5	301	442	+5	299	442

(Amounts in thousands RON)

40. Risk management (continued)

40.2 Market risk (continued)

The Group and the Bank statement of financial position structure by currency is presented below:

	Group				Bank			
	December 31, 2020				December 31, 2020			
ASSETS	**Total**	**RON**	**EUR**	**Other**	**Total**	**RON**	**EUR**	**Other**
Cash in hand	1,889,556	1,698,321	143,907	47,328	1,889,552	1,698,317	143,907	47,328
Due from Central Bank	5,223,833	4,217,380	1,006,453	-	5,223,833	4,217,380	1,006,453	-
Due from banks	5,516,842	137,670	4,017,546	1,361,626	5,499,644	120,472	4,017,546	1,361,626
Derivatives and other financial instruments held for trading	2,400,365	1,324,568	957,760	118,036	2,400,365	1,324,568	957,760	118,036
Loans and advances to customers	29,642,998	21,082,433	8,358,736	201,829	28,873,021	20,515,065	8,156,127	201,829
Financial lease receivables	1,066,899	96,268	970,631	-	-	-	-	-
Financial assets at fair value through profit and loss	85,240	51,515	639	33,086	58,384	24,659	639	33,086
Financial assets at fair value through other comprehensive income	15,943,470	11,914,771	3,809,000	219,698	15,943,470	11,914,771	3,809,000	219,698
Investments in subsidiaries, associates and joint ventures	99,114	99,114	-	-	158,916	158,916	-	-
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Current tax assets	4,911	4,911	-	-	4,905	4,905	-	-
Deferred tax asset	10,287	10,287	-	-	-	-	-	-
Non current assets and other assets	1,624,100	1,594,983	22,915	6,202	1,532,365	1,507,638	18,593	6,134
Total assets	**63,557,745**	**42,282,352**	**19,287,588**	**1,987,806**	**61,634,585**	**41,536,822**	**18,110,025**	**1,987,738**
LIABILITIES								
Due to banks	199,011	113,979	42,360	42,672	199,011	113,979	42,360	42,672
Due to customers	49,957,754	31,083,760	15,967,661	2,906,333	50,152,126	31,235,970	16,009,819	2,906,337
Debt issued and borrowed funds	1,742,352	524,531	1,217,821	-	6,765	6,765	-	-
Derivative financial instruments	599,669	589,491	10,178	-	599,669	589,491	10,178	-
Current tax liability	2,069	2,069	-	-	-	-	-	-
Deffered tax liability	37,907	37,907	-	-	37,907	37,907	-	-
Other liabilities	1,246,918	667,643	544,372	34,904	1,166,964	598,536	533,561	34,867
Shareholders' equity	9,772,065	9,772,065	-	-	9,472,143	9,472,143	-	-
Total liabilities and shareholders' equity	**63,557,745**	**42,791,444**	**17,782,393**	**2,983,909**	**61,634,586**	**42,054,791**	**16,595,918**	**2,983,876**
Position		**(509,092)**	**1,505,195**	**(996,104)**		**(517,969)**	**1,514,107**	**(996,139)**
Position off BS		484,608	(1,477,085)	992,477		484,608	(1,477,085)	992,477
Position total		**(24,483)**	**28,110**	**(3,625)**		**(33,361)**	**37,022**	**(3,661)**

(Amounts in thousands RON)

40. Risk management (continued)

40.2 Market risk (continued)

	Group				Bank			
	December 31, 2019				December 31, 2019			
ASSETS	**Total**	**RON**	**EUR**	**Other**	**Total**	**RON**	**EUR**	**Other**
Cash in hand	2,077,373	1,913,381	108,417	55,575	2,077,340	1,913,348	108,417	55,575
Due from Central Bank	4,765,273	3,357,381	1,407,892	(0)	4,765,273	3,357,381	1,407,892	(0)
Due from banks	3,409,594	202,433	1,969,651	1,237,510	3,391,780	184,619	1,969,651	1,237,510
Derivatives and other financial instruments held for trading	1,244,032	597,369	527,185	119,478	1,244,069	597,406	527,185	119,478
Loans and advances to customers	30,292,869	20,916,098	9,157,245	219,527	29,466,780	20,305,218	8,942,035	219,527
Financial lease receivables	992,665	126,157	866,508	-	-	-	-	-
Financial assets at fair value through profit and loss	108,054	45,554	592	61,908	87,375	24,875	592	61,908
Financial assets at fair value through other comprehensive income	12,958,113	9,774,178	2,951,812	232,122	12,958,113	9,774,178	2,951,812	232,122
Investments in associates and subsidiares	85,574	85,574	-	-	133,982	133,982	-	-
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Current tax assets	136	136	-	-	-	-	-	-
Deferred tax asset	88,955	88,955	-	-	83,113	83,113	-	-
Non current assets and other assets	1,697,736	1,660,305	37,192	239	1,595,284	1,567,629	27,509	146
Total assets	**57,770,504**	**38,817,651**	**17,026,494**	**1,926,359**	**55,853,239**	**37,991,880**	**15,935,093**	**1,926,266**
LIABILITIES								
Due to banks	421,112	171,907	203,729	45,476	421,112	171,907	203,729	45,476
Due to customers	45,898,751	28,606,130	14,774,629	2,517,992	46,039,649	28,698,249	14,823,386	2,518,014
Debt issued and borrowed funds	1,696,495	574,074	1,122,421	-	10,367	10,367	-	-
Derivative financial instruments	209,530	196,756	12,774	-	209,530	196,756	12,774	-
Current tax liability	15,117	15,117	-	-	11,438	11,438	-	-
Other liabilities	1,345,581	719,555	593,683	32,343	1,265,855	650,257	583,320	32,278
Shareholders' equity	8,183,918	8,183,918	-	-	7,895,288	7,895,288	-	-
Total liabilities and shareholders' equity	**57,770,505**	**38,467,457**	**16,707,237**	**2,595,811**	**55,853,239**	**37,634,261**	**15,623,209**	**2,595,769**
Position		**350,194**	**319,257**	**(669,453)**		**357,619**	**311,884**	**(669,504)**
Position off BS		(379,501)	(295,980)	675,481		(401,007)	(274,473)	675,481
Position total		**(29,305)**	**23,277**	**6,029**		**(43,389)**	**37,411**	**5,978**

(Amounts in thousands RON)

40. Risk management (continued)

40.2 Market risk (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. BRD Groupe Societe Generale manages interest rate risk mainly through the sensitivity of the net present value (NPV), measured as the sensitivity to a set of interest rate shocks of the present value of the future principal and interest cash flows of all items in the banking book, balance sheet and off-balance sheet. This measure is calculated for all currencies to which the Bank is exposed.

Assets and liabilities are analyzed without a prior allocation of resources to uses. Maturities of outstanding amounts are determined by taking into account the contractual characteristics of the transactions, adjusted for the results of customer behaviour modelling (in particular for demand deposits, savings and early loan repayments).

In accordance with the Group's policy, positions are monitored on a regular basis and appropriate strategies are used to ensure that they are maintained within the established limits.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's and Bank's banking book.

Group December 31, 2020		Bank December 31, 2020	
Change in interest rate (b.p)	**Sensitivity (MRON)**	**Change in interest rate (b.p)**	**Sensitivity (MRON)**
10	21	10	20
(10)	(26)	(10)	(25)

December 31, 2019		December 31, 2019	
Change in interest rate (b.p)	**Sensitivity (MRON)**	**Change in interest rate (b.p)**	**Sensitivity (MRON)**
10	7	10	7
(10)	(10)	(10)	(8)

The tables below analyse the Group's and the Bank's banking book interest rate risk exposure. The Group's assets and liabilities are included at carrying amount and gaps between outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models based on clients' historic behaviour patterns, as well as conventional assumptions relating to certain balance sheet items.

(Amounts in thousands RON)

40. Risk management (continued)

40.2 Market risk (continued)

Interest rate risk (continued)

Group **December 31, 2020**	**0-1 months**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
ASSETS						
Cash in hand	63,593	126,531	566,477	1,132,955	-	1,889,556
Due from Central Bank	2,865,692	663,697	406,200	832,707	455,537	5,223,833
Due from banks	3,708,922	1,631,660	159,507	12,553	4,200	5,516,842
Derivatives and other financial instruments held for trading	1,080,435	278,602	260,113	650,301	130,914	2,400,365
Loans and advances to customers	8,734,879	11,625,514	3,290,845	5,539,493	452,267	29,642,998
Financial lease receivables	36,979	351,255	359,041	318,881	743	1,066,899
Financial assets at fair value through profit and loss	33,087	-	-	52,153	-	85,240
Financial assets at fair value through other comprehensive income	1,053,766	513,240	1,789,406	4,769,853	7,817,204	15,943,470
Investments in subsidiaries, associates and joint ventures	839	1,679	7,555	40,295	48,745	99,114
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	4,911	-	-	-	4,911
Deferred tax asset	171	343	1,543	8,230	-	10,287
Non current assets and other assets	19,402	36,925	188,261	920,949	458,562	1,624,099
Total assets	**17,598,183**	**15,235,193**	**7,032,709**	**14,298,421**	**9,393,238**	**63,557,744**
Liabilities						
Due to banks	174,586	24,347	78	-	-	199,011
Due to customers	11,070,449	7,841,339	8,659,469	13,098,011	9,288,486	49,957,754
Debt issued and borrowed funds	115,061	572,719	361,851	692,569	152	1,742,352
Derivative financial instruments	599,669	-	-	-	-	599,669
Current tax liability	-	2,069	-	-	-	2,069
Deffered tax liability	632	1,264	5,686	30,326	-	37,907
Other liabilities	436,101	47,244	98,876	518,923	145,773	1,246,917
Total liabilities	**12,396,497**	**8,488,982**	**9,125,960**	**14,339,829**	**9,434,411**	**53,785,679**
Total shareholders' equity	**805,640**	**-**	**1,538,949**	**3,301,100**	**4,126,375**	**9,772,065**
Net position	**4,396,046**	**6,746,211**	**(3,632,200)**	**(3,342,508)**	**(4,167,549)**	

(Amounts in thousands RON)

40. Risk management (continued)

40.2 Market risk (continued)

Interest rate risk (continued)

Group December 31, 2019	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	310,902	362,856	467,872	935,743	-	2,077,373
Due from Central Bank	2,468,485	684,544	406,503	823,994	381,747	4,765,273
Due from banks	3,300,653	55,000	18,294	30,847	4,800	3,409,594
Derivatives and other financial instruments held for trading	177,033	182,491	242,238	617,889	24,381	1,244,032
Loans and advances to customers	9,270,895	11,902,567	2,857,135	5,667,697	594,574	30,292,869
Finance lease receivables	39,150	441,858	203,967	306,303	1,388	992,665
Financial assets at fair value through profit and loss	61,908	-	-	46,146	-	108,054
Financial assets at fair value through other comprehensive income	289,091	116,794	1,180,553	4,219,292	7,152,383	12,958,113
Investments in associates and subsidiares	728	1,457	6,557	34,969	41,863	85,574
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	136	-	-	-	136
Deferred tax asset	773	1,544	6,948	37,055	42,635	88,955
Non-current assets held for sale	419,172	33,579	151,106	745,636	348,243	1,697,736
Total assets	**16,339,210**	**13,783,662**	**5,544,932**	**13,485,624**	**8,617,078**	**57,770,505**
Liabilities						
Due to banks	373,319	23,897	23,897	-	-	421,112
Due to customers	13,077,400	7,925,844	7,591,082	10,652,974	6,651,451	45,898,751
Debt issued and borrowed funds	103,157	534,248	360,598	694,373	4,119	1,696,495
Derivative financial instruments	209,530	-	-	-	-	209,530
Current tax liability	-	15,117	-	-	-	15,117
Other liabilities	954,590	990	78,030	311,971	-	1,345,581
Total liabilities	**14,717,996**	**8,500,095**	**8,053,606**	**11,659,318**	**6,655,571**	**49,586,586**
Total shareholders' equity	**184,665**	**-**	**1,831,678**	**2,741,145**	**3,426,431**	**8,183,918**
Net position	**1,436,548**	**5,283,567**	**(4,340,351)**	**(914,838)**	**(1,464,925)**	

(Amounts in thousands RON)

40. Risk management (continued)

40.2 Market risk (continued)

Interest rate risk (continued)

Bank

December 31, 2020	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	63,589	126,531	566,477	1,132,955	-	1,889,552
Due from Central Bank	2,865,692	663,697	406,200	832,707	455,537	5,223,833
Due from banks	3,708,477	1,631,660	159,507	-	-	5,499,644
Derivatives and other financial instruments held for trading	1,080,435	278,602	260,113	650,301	130,914	2,400,365
Loans and advances to customers	8,585,399	11,595,486	3,152,662	5,090,196	449,278	28,873,021
Financial assets at fair value through profit and loss	33,086	-	-	25,298	-	58,384
Financial assets at fair value through other comprehensive income	1,053,766	513,240	1,789,406	4,769,853	7,817,204	15,943,470
Investments in subsidiaries, associates and joint ventures	1,324	2,649	11,919	63,566	79,458	158,916
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	4,905	-	-	-	4,905
Non current assets and other assets	19,282	38,564	173,537	842,421	458,562	1,532,365
Total assets	**17,411,468**	**14,856,169**	**6,523,580**	**13,427,349**	**9,416,019**	**61,634,585**
Liabilities						
Due to banks	174,586	24,347	78	-	-	199,011
Due to customers	11,166,599	7,880,035	8,696,909	13,115,097	9,293,486	50,152,126
Debt issued and borrowed funds	0	3	627	5,982	152	6,765
Derivative financial instruments	599,669	-	-	-	-	599,669
Deffered tax liability	632	1,264	5,686	30,326	-	37,907
Other liabilities	430,497	46,640	86,850	457,203	145,773	1,166,964
Total liabilities	**12,371,983**	**7,952,289**	**8,790,151**	**13,608,608**	**9,439,411**	**52,162,442**
Total shareholders' equity	**789,030**	**-**	**1,510,618**	**3,187,776**	**3,984,719**	**9,472,143**
Net position	**4,250,455**	**6,903,880**	**(3,777,189)**	**(3,369,035)**	**(4,008,112)**	

(Amounts in thousands RON)

40. Risk management (continued)

40.2 Market risk (continued)

Interest rate risk (continued)

Bank December 31, 2019	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	310,869	362,856	467,872	935,743	-	2,077,340
Due from Central Bank	2,468,485	684,544	406,503	823,994	381,747	4,765,273
Due from banks	3,300,192	55,000	18,294	18,294	-	3,391,780
Derivatives and other financial instruments held for trading	177,070	182,491	242,238	617,889	24,381	1,244,069
Loans and advances to customers	9,111,075	11,834,500	2,744,379	5,186,689	590,137	29,466,780
Financial assets at fair value through profit and loss	61,908	-	-	25,467	-	87,375
Financial assets at fair value through other comprehensive income	289,091	116,794	1,180,553	4,219,292	7,152,383	12,958,113
Investments in associates and subsidiares	1,116	2,233	10,049	53,593	66,991	133,982
Goodwill	418	836	3,760	20,052	25,065	50,130
Deferred tax asset	723	1,447	6,510	34,719	39,714	83,113
Non-current assets held for sale	411,671	30,360	136,622	668,388	348,243	1,595,284
Total assets	**16,132,619**	**13,271,061**	**5,216,779**	**12,604,119**	**8,628,661**	**55,853,239**
Liabilities						
Due to banks	373,319	23,897	23,897	-	-	421,112
Due to customers	13,140,957	7,945,312	7,625,132	10,671,797	6,656,451	46,039,649
Debt issued and borrowed funds	207	7	629	5,405	4,119	10,367
Derivative financial instruments	209,530	-	-	-	-	209,530
Current tax liability	-	11,438	-	-	-	
Other liabilities	945,108	2,137	66,635	251,975	-	1,265,855
Total liabilities	**14,669,120**	**7,982,791**	**7,716,293**	**10,929,177**	**6,660,571**	**47,946,513**
Total shareholders' equity	**159,620**	**-**	**1,805,320**	**2,635,711**	**3,294,638**	**7,895,288**
Net position	**1,303,879**	**5,288,270**	**(4,304,833)**	**(960,768)**	**(1,326,548)**	

40. Risk management (continued)

40.3 Liquidity risk

The liquidity risk is associated either with the difficulty of an enterprise to raise necessary funds in order to meet commitments or with its inability to monetize a financial asset quickly and for an amount close to its fair value.

The Group manages the exposure to the liquidity risk using a specific framework designed to manage it both under normal day-to-day conditions and in the event of a potential liquidity crisis. The liquidity risk management approach starts at the intraday level managing the daily payments flows, forecasting and managing cash flows, and factoring in the access to central bank monetary policy operations and standing facilities. It then covers a longer term perspective, comprising the maturity profile of all assets and liabilities and the funding strategy.

The liquidity risk position, under normal conditions, is measured at consolidated level using the static liquidity gaps indicator which is defined as the difference between the expected future inflows and outflows related to the current transactions (no new business included), determined for each time bucket and currency based on the contractual maturity of the transactions, considering also embedded options (e.g. prepayment for loans, term deposits) or, for non-maturing products (the main ones being: current accounts, fixed assets, other assets, equity, other liabilities), based on a maturity modelled using historical client behaviour or a conventional maturity. For each budgeting and planning exercise, the future funding needs are assessed starting from the actual liquidity position and budgeted evolution of assets and liabilities. When a deficit is expected, funding solutions are assessed and appropriate actions are planned.

The Group performs liquidity risk stress tests on a quarterly basis in order to identify and quantify its exposures to possible liquidity stresses, analyzing potential impacts on the cash flows and liquidity position. The Group is considering 3 liquidity crisis scenarios: specific to the Group (idiosyncratic), systemic and a combination of both. The Group maintains a liquidity buffer of unencumbered, high quality liquid assets as an insurance against a range of liquidity stress scenarios. A contingency funding plan is designed to protect the stakeholders' interests and to ensure positive outcome in the event of a liquidity crisis.

The maturity structure of the Group's and the Bank's assets and liabilities as of December 31, 2020 and 2019 is as follows:

(Amounts in thousands RON)

40. Risk management (continued)

40.3 Liquidity risk (continued)

Group

December 31, 2020	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash in hand	1,889,556	63,593	126,531	566,477	1,132,955	-
Due from Central Bank	5,223,833	2,441,365	147,900	622,849	1,270,924	740,794
Due from banks	5,516,842	4,196,273	1,285,522	18,294	12,553	4,200
Derivatives and other financial instruments held for trading	2,400,365	2,354,992	45,373	-	-	-
Loans and advances to customers	29,642,998	986,472	1,067,393	5,023,720	12,825,064	9,740,348
Financial lease receivables	1,066,899	32,147	77,281	341,225	585,527	30,719
Financial assets at fair value through profit and loss	85,240	-	-	-	85,240	-
Financial assets at fair value through other comprehensive income	15,943,470	14,763,368	40,483	144,386	397,490	597,742
Investments in subsidiaries, associates and joint ventures	99,114	802	1,604	7,220	38,508	50,980
Goodwill	50,130	418	836	3,760	20,052	25,065
Current tax assets	4,911	-	4,911	-	-	-
Deferred tax asset	10,287	171	343	1,543	8,230	-
Non current assets and other assets	1,624,099	19,402	36,925	188,261	920,949	458,562
Total assets	**63,557,744**	**24,859,004**	**2,835,103**	**6,917,735**	**17,297,492**	**11,648,410**
LIABILITIES						
Due to banks	199,011	174,586	-	24,425	-	-
Due to customers	49,957,754	6,107,192	3,897,373	9,233,077	19,817,978	10,902,134
Debt issued and borrowed funds	1,742,352	48,651	146,928	516,566	1,030,207	-
Derivative financial instruments	599,669	599,669	-	-	-	-
Current tax liability	2,069	-	2,069	-	-	-
Deffered tax liability	37,907	632	1,264	5,686	30,326	-
Other liabilities	1,246,917	(55)	60,099	151,824	830,385	204,663
Total liabilities	**53,785,679**	**6,930,675**	**4,107,732**	**9,931,579**	**21,708,896**	**11,106,797**
Total shareholders equity	**9,772,065**	**805,640**	**-**	**1,538,949**	**3,301,100**	**4,126,375**
Gap		**17,122,689**	**(1,272,630)**	**(4,552,793)**	**(7,712,505)**	**(3,584,762)**
Cumulative gap		**17,122,689**	**15,850,059**	**11,297,266**	**3,584,761**	**(0)**

(Amounts in thousands RON)

40. Risk management (continued)

40.3 Liquidity risk (continued)

Group

December 31, 2019	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash in hand	2,077,373	310,902	362,856	467,872	935,743	-
Due from Central Bank	4,765,273	2,125,886	182,852	708,801	1,278,305	469,428
Due from banks	3,409,593	3,300,652	55,000	36,588	12,553	4,800
Derivatives and other financial instruments held for trading	1,244,032	1,244,032	-	-	-	-
Loans and advances to customers	30,292,869	1,063,994	802,638	3,997,158	12,928,010	11,501,069
Financial lease receivables	992,664	38,910	68,597	312,538	569,298	3,321
Financial assets at fair value through profit and loss	108,054	-	-	-	108,054	-
Financial assets at fair value through other comprehensive income	12,958,113	12,958,113	-	-	-	-
Investments in associates and subsidiares	85,575	729	1,457	6,557	34,969	41,863
Goodwill	50,129	418	836	3,760	20,051	25,065
Current tax assets	136	-	136	-	-	-
Deferred tax asset	88,955	773	1,544	6,948	37,055	42,635
Non current assets and other assets	1,697,736	20,845	41,530	186,884	927,659	520,818
Total assets	**57,770,503**	**21,065,254**	**1,517,446**	**5,727,106**	**16,851,698**	**12,608,998**
LIABILITIES						
Due to banks	421,112	373,319	-	23,897	23,897	-
Due to customers	45,898,751	9,914,037	4,897,792	8,942,207	16,229,923	5,914,793
Debt issued and borrowed funds	1,696,495	94,596	136,216	474,867	987,336	3,480
Derivative financial instruments	209,530	209,530	-	-	-	-
Current tax liability	15,117	-	15,117	-	-	-
Other liabilities	1,345,581	110,196	15,930	174,176	743,304	301,974
Shareholders' equity	**49,586,586**	**10,701,678**	**5,065,055**	**9,615,146**	**17,984,460**	**6,220,247**
Total shareholders equity	**8,183,918**	**184,665**	**-**	**1,831,678**	**2,741,145**	**3,426,431**
Gap		**10,178,911**	**(3,547,610)**	**(5,719,718)**	**(3,873,905)**	**2,962,321**
Cumulative gap		**10,178,911**	**6,631,302**	**911,584**	**(2,962,322)**	**(1)**

(Amounts in thousands RON)

40. Risk management (continued)

40.3 Liquidity risk (continued)

Bank

December 31, 2020	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash in hand	1,889,552	63,589	126,531	566,477	1,132,955	-
Due from Central Bank	5,223,833	2,441,365	147,900	622,849	1,270,924	740,794
Due from banks	5,499,644	4,195,828	1,285,522	18,294	-	-
Derivatives and other financial instruments held for trading	2,400,365	2,354,992	45,373	-	-	-
Loans and advances to customers	28,873,021	953,975	1,069,453	4,851,921	12,269,685	9,727,986
Financial assets at fair value through profit and loss	58,384	0	-	-	58,384	-
Financial assets at fair value through other comprehensive income	15,943,470	14,763,368	40,483	144,386	397,490	597,742
Investments in subsidiaries, associates and joint ventures	158,916	1,324	2,649	11,919	63,566	79,458
Goodwill	50,130	418	836	3,760	20,052	25,065
Current tax assets	4,905	-	4,905	-	-	-
Non current assets and other assets	1,532,365	19,282	38,564	173,537	842,421	458,562
Total assets	**61,634,585**	**24,794,143**	**2,762,215**	**6,393,143**	**16,055,477**	**11,629,607**
LIABILITIES						
Due to banks	199,011	174,586	-	24,425	-	-
Due to customers	50,152,126	6,205,397	3,934,778	9,270,719	19,834,090	10,907,142
Debt issued and borrowed funds	6,765	3	6	650	6,106	-
Derivative financial instruments	599,669	599,669	-	-	-	-
Deffered tax liability	37,907	632	1,264	5,686	30,326	-
Other liabilities	1,166,964	(4,976)	59,473	139,694	768,109	204,663
Total liabilities	**52,162,442**	**6,975,312**	**3,995,521**	**9,441,174**	**20,638,631**	**11,111,805**
Total shareholders equity	**9,472,143**	**789,030**	**0**	**1,510,618**	**3,187,776**	**3,984,719**
Gap		**17,029,801**	**(1,233,306)**	**(4,558,649)**	**(7,770,929)**	**(3,466,917)**
Cumulative gap		**17,029,801**	**15,796,495**	**11,237,846**	**3,466,917**	**0**

(Amounts in thousands RON)

40. Risk management (continued)

40.3 Liquidity risk (continued)

Bank

December 31, 2019	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash in hand	2,077,340	310,869	362,856	467,872	935,743	-
Due from Central Bank	4,765,273	2,125,886	182,852	708,801	1,278,305	469,428
Due from banks	3,391,779	3,300,191	55,000	36,588	-	-
Derivatives and other financial instruments held for trading	1,244,069	1,244,069	-	-	-	-
Loans and advances to customers	29,466,781	1,028,430	791,671	3,826,441	12,328,496	11,491,743
Financial assets at fair value through profit and loss	87,375	0	-	-	87,375	-
Financial assets at fair value through other comprehensive income	12,958,113	12,958,113	-	-	-	-
Investments in associates and subsidiares	133,983	1,116	2,233	10,049	53,594	66,991
Goodwill	50,130	418	836	3,760	20,052	25,065
Deferred tax asset	83,113	723	1,447	6,510	34,719	39,714
Non current assets and other assets	1,595,284	19,087	38,173	171,779	847,099	519,147
Total assets	**55,853,239**	**20,988,902**	**1,435,067**	**5,231,800**	**15,585,382**	**12,612,088**
LIABILITIES						
Due to banks	421,112	373,319	-	23,897	23,897	-
Due to customers	46,039,649	10,006,197	4,915,972	8,956,967	16,240,720	5,919,793
Debt issued and borrowed funds	10,367	418	8	1,267	6,757	1,917
Derivative financial instruments	209,530	209,530	-	-	-	-
Current tax liability	11,438	-	11,438	-	-	-
Other liabilities	1,265,855	102,274	17,024	162,543	682,039	301,974
Total liabilities	**47,957,951**	**10,691,738**	**4,944,442**	**9,144,674**	**16,953,413**	**6,223,685**
Total shareholders equity	**7,895,288**	**159,087**	**18**	**1,805,401**	**2,636,144**	**3,294,638**
Gap		**10,138,077**	**(3,509,393)**	**(5,718,275)**	**(4,004,175)**	**3,093,765**
Cumulative gap		**10,138,077**	**6,628,684**	**910,410**	**(3,093,765)**	**0**

(Amounts in thousands RON)

40. Risk management (continued)

40.3 Liquidity risk (continued)

Future undiscounted cash flows

The tables below summarize the maturity profile of the financial liabilities based on contractual undiscounted repayment obligations.

Group

December 31, 2020	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	199,827	174,683	177	24,968	-	-
Due to customers	49,971,236	6,126,362	3,897,321	9,231,665	19,815,420	10,900,468
Debt issued and borrowed funds	1,771,658	50,257	150,313	527,380	1,043,612	95
Subordinated debt	-	-	-	-	-	-
Derivative financial instruments	616,800	527,851	17,327	12,331	46,296	12,995
Current tax liability	2,069	-	2,069	-	-	-
Deffered tax liability	37,907	632	1,264	5,686	30,326	-
Other liabilities except for fair values of derivatives	1,246,917	(55)	60,099	151,824	830,385	204,663
Letters of guarantee granted	4,877,225	4,877,225	-	-	-	-
Total liabilities	**58,723,640**	**11,756,955**	**4,128,570**	**9,953,854**	**21,766,039**	**11,118,221**

Group

December 31, 2019	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	423,731	373,425	183	25,486	24,637	-
Due to customers	46,162,640	9,951,661	4,935,975	9,075,831	16,270,455	5,928,719
Debt issued and borrowed funds	1,777,744	144,146	141,001	487,482	1,001,634	3,481
Derivative financial instruments	208,650	128,991	10,220	14,687	45,734	9,018
Current tax liability	15,117	-	15,117	-	-	-
Other liabilities except for fair values of derivatives	1,345,581	110,196	15,930	174,176	743,304	301,974
Letters of guarantee granted	5,192,938	5,192,938	-	-	-	-
Total liabilities	**55,126,401**	**15,901,357**	**5,118,427**	**9,777,662**	**18,085,763**	**6,243,192**

(Amounts in thousands RON)

40. Risk management (continued)

40.3 Liquidity risk (continued)

Future undiscounted cash flows (continued)

Bank

December 31, 2020	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	199,827	174,683	177	24,968	-	-
Due to customers	50,171,487	6,224,758	3,934,778	9,270,719	19,834,090	10,907,142
Debt issued and borrowed funds	6,765	3	6	650	6,106	-
Derivative financial instruments	610,775	527,851	16,922	11,209	42,822	11,971
Deffered tax liability	37,907	632	1,264	5,686	30,326	-
Other liabilities except for fair values of derivatives	1,166,964	(4,976)	59,473	139,694	768,109	204,663
Letters of guarantee granted	4,890,263	4,890,263	-	-	-	-
Total liabilities	**57,083,988**	**11,813,214**	**4,012,619**	**9,452,926**	**20,681,452**	**11,123,776**

Bank

December 31, 2019	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	423,731	373,425	183	25,486	24,637	-
Due to customers	46,309,196	10,043,844	4,954,155	9,090,591	16,285,222	5,935,384
Debt issued and borrowed funds	10,368	419	8	1,267	6,757	1,917
Derivative financial instruments	207,140	128,966	10,132	14,442	44,890	8,710
Current tax liability	11,438	-	11,438	-	-	-
Other liabilities except for fair values of derivatives	1,265,855	102,274	17,024	162,543	682,039	301,974
Letters of guarantee granted	5,207,647	5,207,647	-	-	-	-
Total liabilities	**53,435,376**	**15,856,574**	**4,992,940**	**9,294,331**	**17,043,545**	**6,247,986**

40. Risk management (continued)

40.4 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the following sub-categories: legal risk, risk related to information technology, conduct risk and model risk, but excludes the strategic risk.
The Group's operational risk management system was developed and strengthened over the years and allows:

- identification, analysis and evaluation of operational risks, their control and follow up
- applying measures meant to improve and strengthen the control framework, in order to prevent/reduce operational risk losses
- ensuring adequate capital requirements for covering exposure to operational risks

The day to day management of operational risk is the responsibility of employees from each business unit. The personnel have to be always aware of their responsibilities in connection with identification and reporting of operational risks and other duties which may arise in relation with the management of operational risks.
Operational risk management tools put in place at BRD are:

- Historical operational risk losses database
- Key risk indicators (KRI)
- Risk and control self-assessment process (RCSA)
- Scenario analysis
- Managerial Supervision of processes (MS)
- Fraud prevention and detection system
- Committee for New Products, which ensures the assessment of operational risks associated with new products for Banks' clients, outsourcing of activities and significant modifications of the existing products offered to the Bank's clients
- Crisis management and business continuity plan
- Management of Information Security

In 2020, the Group operational risk strategy focused on the following axes:

Actions performed by Operational Risk Management Unit:

- Active involvement for supporting Bank activity during the ongoing Covid-19 pandemic crisis. Implement a Bypass process for a fast risk assessment of the altered processes in order to ensure the continuity of business activities
- Continuing the enhancement of operational risk culture through management awareness and staff training through RO contacts. Develop an Operational Risk Community at the Bank level in order to share information and keep employees up to date in respect of operational risk
- Consolidation of operational risk reporting from BRD subsidiaries
- Develop a dedicated operational risk reporting for BRD Network Management
- Review of Outsourcing Policy according to latest regulatory changes (EBA guidelines) triggering a complex review process of outsourcing services
- Continuing the improvements of Operational Risk Management tools, by: (i) running the RCSA exercise according to the new methodology having a process-based approach and implementation of a dedicated tool; (ii) KRIs continuous analysis and calibration in order to ensure a proper monitoring of risk areas; (iii) Further developments of the local tool for registration of operational risk events

40. Risk management (continued)

40.4 Operational risk (continued)

Actions performed by Managerial Supervision Unit and Level 2 Control Unit:

- Continuing the implementation of Permanent Control Transformation program: under SG Group sponsorship, according to ECB guidelines and recommendations, by identifying the real control need of BRD based on applicable processes, improvement of existing controls and implementing Level 2 Control specific tools

Actions performed by Antifraud Division:

- Implement new antifraud prevention indicators / specific antifraud controls based on client/employee's behaviour and new fraud typologies
- Face to face / e-learning antifraud training sessions with the Bank's employees in order to increase awareness of fraud prevention and detection of fraud cases
- Continuing the implementation of a fraud monitoring application in order to prevent, detect and manage frauds based on risk analysis of transactions performed in remote channels and with cards (PSD2 requirements)
- Continuous monitoring and assessment of fraud risk regarding the products/ activities/ processes of the Bank
- Continuing the improvements of Fraud Risk Management tools, by: (i) KRIs continuous analysis and calibration in order to ensure a proper monitoring of risk areas; (ii) Further developments of the local tool for registration of fraud risk events

Actions performed by Business Continuity Management Division:

- Support to the Crisis Committee during the ongoing Covid pandemic crisis, both at BRD level as well as at BRD Group level
- Update of the existing pandemic business continuity plan with a worst case scenario, taking into account the measures imposed by the authorities and adapting the business continuity objectives
- Monitoring all measures and actions decided as response to the Covid crisis in order to ensure the health and safety of the staff and clients and the business continuity (internal and external communication, disinfection and protection measures, social distancing measures, staff equipment for telework wherever possible, segregation of teams and back-up teams to reduce the contamination risk and ensure the essential services to the clients etc.)
- Enhancement of some backup solutions: teams segregation and work on the users' recovery sites, remote access solution for the telework where applicable, work in shifts
- Follow-up of business continuity strategy including the regional disaster scenario for which back-up solutions will be further developed during 2021-2022
- Continuously updating the business continuity mechanisms and crisis management framework, based on the annual Business Impact Analysis' results
- Closely follow-up the annual business continuity and crisis management tests, as well as technical tests, to validate or potentially adjust the back-up solutions
- Business continuity and crisis management training / awareness of the involved staff

40. Risk management (continued)

40.4 Operational risk (continued)

Actions performed by Information Security Division:

- Consolidation of Information Security Framework
- Consolidation of the security, traceability, Data Leakage Protection and Privilege Access Management function through the implementation of different tools and processes (SIEM-Security Information and Event Management; DLP-Data Leakage Protection; PAM-Privilege & Access Management)
- Identity and Access Management transversal governanace implementation with clearly defined roles and responsabilities for all departments and ensure it through a single IAM Global Coordinator
- Raising awareness on Information Security subjects for the internal users (presentations videos, articles on Intranet platform, screen-savers, conferences with business representatives and management on information security topics, anti-phishing periodic exercises)
- Raising awareness on Information Security subjects for the external users through the contractual clauses of the Remote Banking services and through the BRD institutional site, as well as for the BRD’s partners through specific information security clauses systematically included in contracts where BRD is Beneficiary and/or Operator (GDPR)
- Extended of terminal protection solution for antimalware for both private and corporate clients (IBM-Trusteer)

(Amounts in thousands RON)

41. Capital management

Starting 1st January 2014 BRD Group calculates the capital requirements in accordance with Basel 3 principles, implemented in the European Union law by the capital Directive (CRD IV - 36/2013) , Regulation (CRR – 575/2013), technical regulatory standards and technical implementation standards issued by the European Banking Authority.

Locally, the European requirements are adopted through National Bank of Romania (NBR) prudential regulations for credit institutions and investment firms: OUG 99/2006 on credit institutions and capital adequacy and NBR Regulation no. 5/2013 regarding prudential requirements.

Please find below a summary of the capital requirements indicators in million RON:

	Group		Bank	
	2020	**2019**	**2020**	**2019**
Eligible CET1	*7,957*	*7,957*	*7,716*	*7,716*
Eligible CET1 after adjustments	*8,762*	*8,136*	*8,521*	*7,895*
Total Tier 1 capital	8,146	7,559	7,908	7,322
TOTAL OWN FUNDS	**8,146**	**7,559**	**7,908**	**7,322**
Total capital requirement	**2,223**	**2,484**	**2,088**	**2,352**
Credit risk (including counterparty risk)	24,647	27,692	23,082	26,118
Market risk	229	320	229	317
Operational risk	2,752	2,913	2,630	2,849
CVA risk	160	120	160	120
Total risk exposure amount	**27,787**	**31,045**	**26,102**	**29,404**
Regulatory CAR	29.32%	24.35%	30.30%	24.90%
Tier 1 ratio	29.32%	24.35%	30.30%	24.90%

Group's and Bank's own funds comprises Tier 1 capital. As at December 31, 2020 and December 31, 2019 the Bank has no Tier 2 capital instruments.

Tier 1 capital includes eligible capital, eligible reserves, other comprehensive income less regulatory deductions. The Group and Bank included the profit of the year in the own funds presented above as at December 31, 2020.

The Group and Bank was compliant with the capital adequacy ratios throughout the year.

42. Fair value

Determination of fair value and fair value hierarchy
To determine and disclose the fair value hierarchy of the financial instruments, the Group follows the three-level classification of the inputs to valuation techniques used to measure fair value:

- **Level 1: quoted (unadjusted) prices** in active markets for identical assets or liabilities;

  Level 1 instruments contain the government bonds, priced directly by external counterparties on various dealing platforms (Bloomberg, Reuters etc);

- **Level 2: other inputs** than those quoted princes included within Level 1, **that are observable** for that particular asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);

  Level 2 instruments include in particular securities that cannot directly be quoted on the market (e.g. corporate bonds) and firm derivates, with standard features and common maturities, whose value can be retrieved or derived from market data;

- **Level 3**: inputs that are not based on observable market data (**unobservable inputs**).

  Level 3 instruments include options traded over-the-counter and other derivatives with specifically-tailored return profiles and/or maturities extended over the normal spectrum;

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

(Amounts in thousands RON)

42. Fair value (continued)

	Group				Bank			
	December 31, 2020				December 31, 2020			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	81,970	-	**81,970**	-	81,970	-	**81,970**
Currency swaps	-	11,323	-	**11,323**	-	11,323	-	**11,323**
Forward foreign exchange contracts	-	23,724	-	**23,724**	-	23,724	-	**23,724**
Options	-	-	13,273	**13,273**	-	-	13,273	**13,273**
	-	**117,017**	**13,273**	**130,290**	**-**	**117,017**	**13,273**	**130,290**
Financial assets at fair value through other comprehensive income	15,943,470	-	-	**15,943,470**	15,943,470	-	-	**15,943,470**
Equity investments (listed)	2,626	-	-	**2,626**	2,626	-	-	**2,626**
Equity investments (not listed)	-	-	37,121	**37,121**	-	-	37,121	**37,121**
Other securities quoted	-	45,493	-	**45,493**	-	18,637	-	**18,637**
Total	**15,946,096**	**45,493**	**37,121**	**16,028,710**	**15,946,096**	**18,637**	**37,121**	**16,001,854**
Other financial instruments held for trading	2,270,075	-	-	**2,270,075**	2,270,075	-	-	**2,270,075**
Total	**18,216,171**	**162,510**	**50,394**	**18,429,074**	**18,216,171**	**135,654**	**50,394**	**18,402,219**
Assets for which fair value is disclosed								
Cash in hand	1,889,556	-	-	**1,889,556**	1,889,552	-	-	**1,889,552**
Due from Central Bank	5,223,833	-	-	**5,223,833**	5,223,833	-	-	**5,223,833**
Due from banks	5,516,842	-	-	**5,516,842**	5,499,644	-	-	**5,499,644**
Loans and advances to customers	-	-	29,844,021	**29,844,021**	-	-	29,160,124	**29,160,124**
Financial lease receivables	-	-	1,067,860	**1,067,860**	-	-	-	**-**
Total	**12,630,231**	**-**	**30,911,881**	**43,542,112**	**12,613,029**	**-**	**29,160,124**	**41,773,153**

(Amounts in thousands RON)

42. Fair value (continued)

	Group				Bank			
	December 31, 2020				December 31, 2020			
Liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	22,571	-	**22,571**	-	22,571	-	**22,571**
Currency swaps	-	18,604	-	**18,604**	-	18,604	-	**18,604**
Forward foreign exchange contracts	-	17,399	-	**17,399**	-	17,399	-	**17,399**
Options	-	-	13,357	**13,357**	-	-	13,357	**13,357**
Total	**-**	**58,574**	**13,357**	**71,931**	**-**	**58,574**	**13,357**	**71,931**
Other financial instruments held for trading	527,738	**-**	**-**	**527,738**	527,738	**-**	**-**	**527,738**
Total	**527,738**	**58,574**	**13,357**	**599,669**	**527,738**	**58,574**	**13,357**	**599,669**
Liabilities for which fair value is disclosed								
Due to banks	199,011	-	-	**199,011**	199,011	-	-	**199,011**
Due to customers	-	49,959,911	-	**49,959,911**	-	50,154,291	-	**50,154,291**
Borrowed funds	-	1,742,352	-	**1,742,352**	-	6,765	-	**6,765**
Total	**199,011**	**51,702,263**	**-**	**51,901,274**	**199,011**	**50,161,056**	**-**	**50,360,067**

(Amounts in thousands RON)

42. Fair value (continued)

	Group				Bank			
	December 31, 2019				December 31, 2019			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	84,780	-	**84,780**	-	84,780	-	**84,780**
Currency swaps	-	11,352	-	**11,352**	-	11,352	-	**11,352**
Forward foreign exchange contracts	-	7,436	-	**7,436**	-	7,473	-	**7,473**
Options	-	-	23,448	**23,448**	-	-	23,448	**23,448**
	-	**103,568**	**23,448**	**127,016**	**-**	**103,605**	**23,448**	**127,053**
Financial assets at fair value through other comprehensive income	12,958,113	-	-	**12,958,113**	12,958,113	-	-	**12,958,113**
Equity investments (listed)	2,933	-	-	**2,933**	2,933	-	-	**2,933**
Equity investments (not listed)	-	-	65,776	**65,776**	-	-	65,776	**65,776**
Other securities quoted	-	39,345	-	**39,345**	-	18,666	-	**18,666**
Total	**12,961,046**	**39,345**	**65,776**	**13,066,167**	**12,961,046**	**18,666**	**65,776**	**13,045,488**
Other financial instruments held for trading	1,117,016	-	-	**1,117,016**	1,117,016	-	-	**1,117,016**
Total	**14,078,062**	**142,913**	**89,224**	**14,310,199**	**14,078,062**	**122,271**	**89,224**	**14,289,557**
Assets for which fair value is disclosed								
Cash in hand	2,077,373	-	-	**2,077,373**	2,077,340	-	-	**2,077,340**
Due from Central Bank	4,765,273	-	-	**4,765,273**	4,765,273	-	-	**4,765,273**
Due from banks	3,409,594	-	-	**3,409,594**	3,391,780	-	-	**3,391,780**
Loans and advances to customers	-	-	30,359,664	**30,359,664**	-	-	29,628,720	**29,628,720**
Financial lease receivables	-	-	1,003,703	**1,003,703**	-	-	-	**-**
Total	**10,252,240**	**-**	**31,363,367**	**41,615,607**	**10,234,393**	**-**	**29,628,720**	**39,863,113**

(Amounts in thousands RON)

42. Fair value (continued)

	Group				Bank			
	December 31, 2019				December 31, 2019			
Liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	29,903	-	**29,903**	-	29,903	-	**29,903**
Currency swaps	-	5,164	-	**5,164**	-	5,164	-	**5,164**
Forward foreign exchange contracts	-	10,887	-	**10,887**	-	10,887	-	**10,887**
Options	-	-	23,569	**23,569**	-	-	23,569	**23,569**
Total	**-**	**45,954**	**23,569**	**69,523**	**-**	**45,954**	**23,569**	**69,523**
Other financial instruments held for trading	140,007	**-**	**-**	**140,007**	140,007	**-**	**-**	**140,007**
Total	**140,007**	**45,954**	**23,569**	**209,530**	**140,007**	**45,954**	**23,569**	**209,530**
Liabilities for which fair value is disclosed								
Due to banks	421,112	-	-	**421,112**	421,112	-	-	**421,112**
Due to customers	-	45,897,284	-	**45,897,284**	-	46,038,177	-	**46,038,177**
Borrowed funds	-	1,696,495	-	**1,696,495**	-	10,367	-	**10,367**
Total	**421,112**	**47,593,779**	**-**	**48,014,891**	**421,112**	**46,048,544**	**-**	**46,469,656**

42. Fair value (continued)

Financial instruments measured at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Treasury notes are represented by treasury bills and bonds, and are classified as financial assets at fair value through other comprehensive income or financial instruments held for trading measured at fair value through profit and loss, being measured using a valuation technique based on market quotes published by Bloomberg or by Reuters (market approach).

Derivatives
The fair value of the derivatives is determined using valuation techniques commonly known on the market, such as discounted cash flows for swaps or Black-Sholes formula for options.

Firm derivatives – interest rate swaps, currency swaps and forward foreign exchange contracts, are the main derivative products measured using as valuation technique the income approach (discounting cash flows) and incorporating observable inputs from market (foreign exchange spot rate, forward rates, interest rate rates, futures), both directly observable ones (explicit parameters) and indirectly observable ones.

The directly observable parameters are variables that come directly from the market and are presumed to be easily available, accessible to each market participant. The main explicit parameters used in valuation of firm financial instruments are interbank fixing FX rates published by NBR, interbank swap points, interbank bid/ask interest rates, futures quotes on EUR and USD. Implicit parameters are variables obtained through standard intermediary calculation, using market prices for relevant financial instruments. The yield curves designated at the level of each product and currency are fed with explicit parameters according to the pre-set configuration, facilitating the computation of implicit parameters used in computing the fair value such as Zero-coupons, Discount Factors and Forward Interest Rates.

Conditional derivatives - FX options, interest rate options and equity options, are valued daily, using the mark-to-model approach. The model is calibrated to derive the value of the option based on the current market conditions (spot rates) and the future values presumed to be attained by the underlying (forward exchange rates, FRAs etc), integrating in the calculation the standard option-sensitivities (delta, gamma, vega, theta), along with information regarding the size of the positions and the liquidity of the instrument. The fair value is determined through SG's computation module, the values of the specific parameters being daily retrieved from the market and stored in the database, serving as direct input in the daily final formula or further used for the statistical calculation implied by the valuation process.

BRD manages the group of these financial asset s and liabilities (options) on the basis of the entity's net exposure to a particular market risk (foreign exchange, interest rate, price risk) and, according to the trading book policy in place, BRD assumes no residual market risk induced by option-trading. Any bought option is perfectly matched on the same day with a sold option, identical in terms of option type, underlying, exercise prices, maturity. The perfect back-to-back system is subject to daily controls performed at back-office level, to ensure that no mismatch occurred and there is no residual open position on options. Therefore, the impact of a specific change on the estimated value on one non-observable parameter used on the valuation of an option classified/ accounted as financial asset is offset by same specific change on estimated value of the same non-observable parameter on the valuation of the mirror-replicated option classified/ accounted as financial liability.

42. Fair value (continued)

Equities

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the financial performance of the investee.
The fair value of equity instruments not listed classified as at fair value through profit and loss and consisting of ordinary shares of other entities is determined by using the net assets of the entities as at the end of the last closed reporting period. The entities net assets represent the best estimation of the current replacement cost that would be paid in order to replace the holding as it consists of the initial capital investment adjusted by the financial performance of the entity.

In the case of Visa share, following the acquisition of VISA Europe by VISA Inc, transaction which was closed in June 2016, the Bank, as principal member, received a share of the sale proceeds, having both a cash component and a share in VISA Inc component. Following the SG approach, in order to determine the fair value of the share, the Bank adjusted the sale proceeds using some prudential haircuts (liquidity, litigation risks etc.).

Fair value of financial assets and liabilities not carried at fair value

Financial assets

Deposits with banks, loans originated by the Group and leases are measured at amortized cost using the effective interest rate method less any impairment allowance.

For deposits with banks, amortized cost is estimated to approximate fair value due to their short–term nature, interest rates reflecting current market conditions and no significant transaction costs.

For loans and lease receivables the fair value is determined by using discounted cash-flows based on interest rate offered to similar products and similar time horizons.

Financial liabilities

The amortized cost of deposits from banks is considered to approximate their respective fair values, since these items have predominantly short maturities, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

For due to customers and borrowings amounts the fair value is determined by using discounted cash-flows based on interest rate offered to similar products and customers and with similar time horizons.

(Amounts in thousands RON)

42. Fair value (continued)

The following table presents the fair value and the carrying amount per type of financial instrument.

	Group				Bank			
	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash in hand	1,889,556	1,889,556	2,077,373	2,077,373	1,889,552	1,889,552	2,077,340	2,077,340
Due from Central Bank	5,223,833	5,223,833	4,765,273	4,765,273	5,223,833	5,223,833	4,765,273	4,765,273
Due from banks	5,516,842	5,516,842	3,409,594	3,409,594	5,499,644	5,499,644	3,391,780	3,391,780
Loans and advances to customers	29,642,998	29,844,021	30,292,869	30,359,664	28,873,021	29,160,124	29,466,780	29,628,720
Financial lease receivables	1,066,899	1,067,860	992,665	1,003,703	-	-	-	-
	43,340,128	**43,542,112**	**41,537,774**	**41,615,607**	**41,486,050**	**41,773,153**	**39,701,173**	**39,863,113**
Financial liabilities								
Due to banks	199,011	199,011	421,112	421,112	199,011	199,011	421,112	421,112
Due to customers	49,957,754	49,959,911	45,898,751	45,897,284	50,152,126	50,154,291	46,039,649	46,038,177
Borrowed funds	1,742,352	1,742,352	1,696,495	1,696,495	6,765	6,765	10,367	10,367
	51,899,117	**51,901,274**	**48,016,358**	**48,014,891**	**50,357,902**	**50,360,067**	**46,471,128**	**46,469,656**

(Amounts in thousands RON)

42. Fair value (continued)

The methods and significant assumptions applied in determining the fair value of the elements in the table above are listed below.

The fair value of fixed rate instruments is estimated by discounting the maturing cash flows with discount factors derived from the rates offered to similar clients, for similar products on similar maturities. The fair value of floating instruments is estimated by discounting from the next re-pricing date using as discount factors rates offered to similar clients, for similar products on similar time horizons.

Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of impairment is recognized separately by deducting the amount of the allowance for credit losses from both carrying and fair values.

For the purposes of the fair value disclosure, the interest accrued to date is included in the carrying value of the financial instruments.

The transfers between levels of fair value hierarchy are deemed to have occurred the date of the event or change in circumstances that caused the transfer, but not later that the end of the reporting period.

Movement in level 3:

Fair value of equity investments not listed is estimated based on net assets of the investments.

	Equity investments (not listed)	Options (A)	Options (L)
Closing balance as at December 31, 2018	**44,976**	**45,877**	**47,106**
Acquisitions	-	6,630	6,630
Sales	(4)	(1,407)	(1,407)
Reimbursements	-	(5,330)	(5,330)
Gain losses from change in fair value	19,983	(22,322)	(23,430)
Translation differences	821	-	-
Closing balance as at December 31, 2019	**65,776**	**23,448**	**23,569**
Acquisitions	-	2,639	2,639
Sales	(37,368)	(1,686)	(1,686)
Reimbursements	-	(4,588)	(4,589)
Gain losses from change in fair value	11,912	(6,540)	(6,576)
Translation differences	(3,199)	-	-
Closing balance as at December 31, 2020	**37,121**	**13,273**	**13,357**

43. Subsequent events

No subsequent event was identified after the reporting date.