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, 2019

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
for the period ended December 31, 2019
(Amounts in thousands RON)

		Group		Bank	
	Note	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
ASSETS					
Cash in hand	5,34	2,077,373	2,236,045	2,077,340	2,236,018
Due from Central Bank	6	4,765,273	3,785,491	4,765,273	3,785,491
Due from banks	7	3,409,594	3,316,344	3,391,780	3,297,915
Derivatives and other financial instruments held for trading	8	1,244,032	2,252,463	1,244,069	2,252,519
Loans and advances to customers	9	30,292,869	29,603,276	29,466,780	28,893,343
Finance lease receivables	10	992,665	761,012	-	-
Financial assets at fair value through profit and loss	11	108,054	82,476	87,375	62,598
Financial assets at fair value through other comprehensive income	12	12,958,113	12,059,561	12,958,113	12,059,561
Investments in associates and subsidiares	13	85,574	84,919	133,982	129,577
Property, plant and equipment	14	1,193,499	801,782	1,175,272	794,585
Investment property	14	17,818	19,071	17,818	19,071
Goodwill	15	50,130	50,130	50,130	50,130
Intangible assets	16	185,289	142,818	181,424	140,592
Current tax assets	21	136	10,312	-	10,312
Deferred tax asset	21	88,955	113,480	83,113	107,392
Other assets	17	301,130	327,898	220,770	221,233
Non-current assets held for sale	13	-	72,290	-	29,017
Total assets		**57,770,504**	**55,719,369**	**55,853,239**	**54,089,354**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	18	421,112	297,817	421,112	297,817
Due to customers	19	45,898,751	45,216,995	46,039,649	45,315,556
Borrowed funds	20	1,696,495	1,306,638	10,367	16,582
Derivatives and other financial instruments held for trading	8	209,530	341,061	209,530	341,061
Current tax liability	21	15,117	2,305	11,438	-
Other liabilities	22	1,345,581	897,126	1,265,855	790,929
Total liabilities		**49,586,586**	**48,061,942**	**47,957,951**	**46,761,945**
Share capital	23	2,515,622	2,515,622	2,515,622	2,515,622
Other reserves		179,152	3,052	179,152	(3,122)
Retained earnings and capital reserves		5,441,455	5,092,159	5,200,514	4,814,909
Non-controlling interest		47,689	46,594	-	-
Total equity		**8,183,918**	**7,657,427**	**7,895,288**	**7,327,409**
Total liabilities and equity		**57,770,504**	**55,719,369**	**55,853,239**	**54,089,354**

The financial statements have been authorized by the Group's management on March 12, 2020 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

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE PROFIT OR LOSS
for the period ended December 31, 2019
(Amounts in thousands RON)

		Group		Bank	
	Note	**2019**	**2018**	**2019**	**2018**
Interest and similar income	24	2,337,534	2,158,494	2,184,513	2,020,458
Interest and similar expense	25	(187,172)	(169,675)	(161,000)	(151,126)
Net interest income		**2,150,362**	**1,988,819**	**2,023,513**	**1,869,332**
Fees and commissions, net	26	**805,613**	**797,147**	**767,205**	**759,301**
Gain on derivative, other financial instruments held for trading and foreign exchange	27	274,394	289,929	274,408	288,837
Gain from financial instruments at fair value through other comprehensive income		12,027	3,882	12,027	3,882
Gain from financial instruments at fair value through profit and loss		23,732	10,682	22,610	10,145
Income from associates		5,397	21,462	9,146	17,590
Other income / (expenses) from banking activities	28	(1,617)	3,361	61,229	31,829
Operating income		**3,269,908**	**3,115,282**	**3,170,138**	**2,980,916**
Personnel expenses	30	(826,199)	(767,828)	(770,260)	(715,700)
Depreciation, amortisation and impairment on tangible and intangible assets	31	(229,007)	(134,026)	(221,176)	(131,384)
Contribution to Guarantee Scheme and Resolution Fund	29	(72,211)	(35,026)	(72,211)	(35,026)
Other operating expenses	32	(550,120)	(552,785)	(516,735)	(517,530)
Total operating expenses		**(1,677,537)**	**(1,489,665)**	**(1,580,382)**	**(1,399,639)**
Net operating profit		**1,592,371**	**1,625,617**	**1,589,756**	**1,581,277**
Cost of risk	33	203,673	230,388	223,861	246,276
Profit before income tax		**1,796,044**	**1,856,005**	**1,813,617**	**1,827,553**
Current tax expense	21	(307,311)	(299,734)	(295,763)	(288,546)
Deferred tax income	21	10,422	6,831	10,669	6,982
Total income tax		**(296,889)**	**(292,903)**	**(285,094)**	**(281,564)**
Profit for the period		**1,499,155**	**1,563,102**	**1,528,523**	**1,545,989**
Profit attributable to equity holders of the parent		1,492,217	1,555,702	-	-
Profit attributable to non-controlling interests		6,938	7,400	-	-
Basic earnings per share (in RON)	37	**2.1412**	**2.2323**	**2.1933**	**2.2184**

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the period ended December 31, 2019
(Amounts in thousands RON)

	Group		Bank	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Profit for the period	**1,499,155**	**1,563,102**	**1,528,523**	**1,545,989**
Other comprehensive income				
Net comprehensive income that may be reclassified to profit and loss in subsequent periods	**179,965**	**(73,443)**	**186,140**	**(74,921)**
Net gain/(loss) on financial assets at fair value through other comprehensive income	186,139	(74,921)	186,140	(74,921)
Reclassifications to profit and loss during the period	7,050	6,641	13,224	6,641
Revaluation differences	214,772	(95,307)	208,599	(95,307)
Income tax	(35,683)	13,745	(35,683)	13,745
Reclassification to Profit and loss from exchange rate differences	(6,174)			
Exchange differences from translation of foreign operations	-	1,478	-	-
Net comprehensive income not to be reclassified to profit and loss in subsequent periods	**(3,865)**	**27,819**	**(3,865)**	**27,819**
Gain/(Loss) on defined pension plan	(4,601)	33,117	(4,601)	33,117
Income tax relating to defined pension plan	736	(5,299)	736	(5,299)
Other comprehensive income for the period, net of tax	**176,100**	**(45,624)**	**182,275**	**(47,102)**
Total comprehensive income for the period, net of tax	**1,675,255**	**1,517,478**	**1,710,798**	**1,498,887**
Attributable to:				
Equity holders of the parent	1,668,317	1,510,078		-
Non-controlling interest	6,938	7,400		-

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended December 31, 2019
(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, 2017	**2,515,622**	**66,027**	**(4,421)**	**4,696**	**4,733,415**	**53,412**	**7,368,751**
IFRS 9 Impact	**-**	**(17,626)**	**-**	**-**	**(54,042)**	**(7,031)**	**(78,698)**
Restated opening balance	**2,515,622**	**48,401**	**(4,421)**	**4,696**	**4,679,373**	**46,381**	**7,290,052**
Total comprehensive income	-	(74,921)	27,819	1,478	1,555,702	7,400	**1,517,478**
Net Profit for the period	-	-	-	-	1,555,702	7,400	**1,563,102**
Other comprehensive income	-	(74,921)	27,819	1,478	-	-	**(45,624)**
Equity dividends	-	-	-	-	(1,142,918)	(7,187)	**(1,150,105)**
December 31, 2018	**2,515,622**	**(26,520)**	**23,398**	**6,174**	**5,092,157**	**46,594**	**7,657,425**

	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**

(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, 2017	**2,515,622**	**66,027**	**(4,421)**	**4,451,159**	**7,028,387**
IFRS 9 Impact	-	**(17,627)**	-	**(39,321)**	**(56,948)**
Restated opening balance	**2,515,622**	**48,400**	**(4,421)**	**4,411,838**	**6,971,439**
Total comprehensive income	-	(74,921)	27,819	1,545,989	1,498,886
Net Profit for the period	-	-	-	1,545,989	1,545,989
Other comprehensive income	-	(74,921)	27,819	-	(47,102)
Equity dividends	-	-	-	(1,142,918)	(1,142,918)
December 31, 2018	**2,515,622**	**(26,521)**	**23,398**	**4,814,908**	**7,327,407**

	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**	**5,200,514**	**7,895,288**

(Amounts in thousands RON)

		Group		Bank	
	Note	**2019**	**2018**	**2019**	**2018**
Cash flows from operating activities					
Profit before tax		**1,796,044**	**1,856,005**	**1,813,617**	**1,827,553**
Adjustments for:					
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets	31	229,007	134,026	221,176	131,384
Change in right of use	14	(10,716)	-	(9,579)	-
(Loss)/gain from revaluation of investment in associates		3,749	(5,349)	-	-
Gain from revaluation of equity investments		(25,926)	(1,195)	(24,833)	(947)
Impairment adjustments and provisions	34	172,802	(36,859)	138,677	(52,923)
Net gain from sale of equity investment		(6,245)	-	(43,344)	-
Adjusted profit		**2,158,715**	**1,946,627**	**2,095,714**	**1,905,067**
Changes /re-classifications in operating assets and liabilities					
Due from Central Bank		(979,782)	(27,663)	(979,782)	(27,663)
Accounts and deposits with banks		28,946	45,660	28,334	45,049
Financial assets at fair value through profit and loss		348	17,521	56	15,469
Financial assets at fair value through other comprehensive income		(712,413)	(96,432)	(712,412)	(97,910)
Loans and advances to customers		(808,657)	(1,345,891)	(662,115)	(1,198,608)
Lease receivables		(232,407)	(41,554)	-	-
Other assets including trading		1,040,551	(470,317)	1,013,995	(428,427)
Due to banks		123,295	(588,153)	123,295	(588,153)
Due to customers		681,756	997,309	724,093	928,248
Other liabilities		(113,902)	353,889	(68,603)	310,308
Total changes in operating assets and liabilities		**(972,265)**	**(1,155,630)**	**(533,139)**	**(1,041,686)**
Income tax paid		(278,936)	(380,549)	(274,014)	(375,639)
Cash flow from operating activities		**907,514**	**410,448**	**1,288,561**	**487,743**
Investing activities					
Sales of equity investments		72,361	-	72,361	-
Acquisition of equity investments		(4,404)	-	(4,405)	-
Acquisition of tangible and intangible assets	14,16	(170,748)	(149,298)	(166,469)	(147,651)
Proceeds from sale of tangible and intangible assets		1,731	3,471	1,731	3,471
Cash flow from investing activities		**(101,060)**	**(145,827)**	**(96,782)**	**(144,180)**
Financing activities					
Proceeds from borrowings		17,831,471	670,445	16,657,791	336
Repayment of borrowings		(17,441,613)	(616,266)	(16,664,005)	(32,284)
Repayment of principal lease liabilities	14	(84,027)	-	(79,124)	-
Dividends paid		(1,148,761)	(1,150,105)	(1,142,918)	(1,142,918)
Net cash from financing activities		**(842,930)**	**(1,095,926)**	**(1,228,257)**	**(1,174,867)**
Net movements in cash and cash equivalents		**(36,477)**	**(831,305)**	**(36,478)**	**(831,305)**
Cash and cash equivalents at beginning of the period	34	**5,373,530**	**6,204,834**	**5,373,497**	**6,204,801**
Cash and cash equivalents at the end of the period	34	**5,337,052**	**5,373,529**	**5,337,018**	**5,373,496**

	Group		Bank	
	2019	**2018**	**2019**	**2018**
Interest paid	184,490	174,373	161,972	151,086
Interest received	2,348,960	2,321,861	2,193,534	2,182,491
Dividends received	9,146	17,970	39,952	50,883

The amount of undrawn borrowing facilities that may be available for future operating activities is 716,895 (December 31, 2018: 699,585) 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, 2019 (the "Parent"or "SG").

The Bank has as at December 31, 2019 648 units throughout the country (December 31, 2018: 723).

The average number of active employees of the Group during 2019 was 7,407 (2018: 7,489), and the number of active employees of the Group as of the period-end was 7,356 (December 31, 2018: 7,471).

The average number of active employees of the Bank during 2019 was 6,808 (2018: 6,902), and the number of active employees of the Bank as of the period-end was 6,751 (December 31, 2018: 6,882).

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, 2019	December 31, 2018
Societe Generale	60.17%	60.17%
Fondul De Pensii Administrat Privat Nn/Nn Pensii S.A.F.P.A.P. S.A.	4.74%	2.98%
S.I.F. Oltenia	4.09%	2.89%
S.I.F. Transilvania	3.26%	3.35%
Fondul De Pensii Administrat Privat Azt Viitorul Tau/Allianz Pp	2.91%	1.10%
Fondul De Pensii Administrat Privat Metropolitan Life	2.18%	1.85%
Legal entities	18.30%	23.51%
Individuals	4.35%	4.15%
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, 2019 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, 2019. 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, 2018: 99.98%), BRD Finance IFN S.A (49% ownership, 2018: 49%) and BRD Asset Management SAI SA (99.98% ownership, 2018: 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 (continued)

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 and associates 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	15 Splaiul Independentei Street, bloc 100, floor 6, district 5, Bucharest	49.00%
BRD Sogelease Asset Rental SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest	20.00%

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	15 Splaiul Independentei Street, bloc 100, floor 6, district 5, Bucharest	49.00%
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%

(Amounts in thousands RON)

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 as of 1 January 2019. 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.

- **IFRS 16: Leases**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

The Bank is a lessee for land and buildings, IT hardware and vehicles and recorded as at January 1, 2019 a right of use / lease liability of 467 million for the Bank and 482 million at Group level (please see Note 14).

The Group and the Bank's lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Group

Operating leasing commitments as at 31 December 2018	**542,952**
Wighted average incremental borrowing rate as at 1 January 2019	1.910%
Discounted operating lease commitments at 1 January 2019	492,689
Less:	
Commitments relating to short term leases and low values	10,480
Lease liabilities as at 1 January 2019	**482,209**

Bank

Operating leasing commitments as at 31 December 2018	**527,015**
Wighted average incremental borrowing rate as at 1 January 2019	1.739%
Discounted operating lease commitments at 1 January 2019	477,605
Less:	
Commitments relating to short term leases and low values	10,480
Lease liabilities as at 1 January 2019	**467,125**

- **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28.

2. Basis of preparation (continued)

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

- **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**
  The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs.

- ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*****:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- ***IAS 12 Income Taxes*****:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

- ***IAS 23 Borrowing Costs*****:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

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

Standards issued but not yet effective up to the date of issuance of the Group and Bank's consolidated and separate financial statements are listed below. This listing is of standards and interpretations issued, which the Group and Bank reasonably expects to be applicable at a future date. The Group and Bank intends to adopt those standards when they become effective. The Group and Bank is in progress of assessing the impact of the adoption of these standards, amendments to the existing standards and interpretations on the consolidated and separate financial statements of the Group and Bank in the period of initial application.

- **IFRS 17: Insurance Contracts**
  The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU.

2. Basis of preparation (continued)

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

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

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

- **Conceptual Framework in IFRS standards**

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

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

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

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

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

- **Reference interest rate reform: IFRS 9, IAS 39 and IFRS 7 (Amendments)**

The changes shall enter into force for annual periods beginning on or after January 1, 2020 and must be applied retroactively. Early application is allowed. In September 2019, the IASB published amendments to IFRS 9, IAS 39 and IFRS 7, which closes the first stage of its activity to respond to the effects of the reform of the Interbank Offered Interest Rates (IBOR) on financial reporting. The second stage will focus on issues that could affect financial reporting when an existing interest rate reference value is replaced by a risk-free interest rate (RFR). The published changes address issues that affect financial reporting in the prior period to that in which the replacement of an existing reference rate of interest rate with an alternative interest rate occurs, and address the implications for the specific hedging accounting requirements of IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which requires prospective analysis. The amendments provide temporary exemptions, applicable to hedging relationships that are directly affected by the reference interest rate reform, which allow the continuation of the hedging accounting in the period of uncertainty before replacing an existing interest rate reference rate with an alternative interest rate almost risk-free. There are also changes in IFRS 7 Financial Instruments: Disclosures about information on the uncertainty resulting from the reform of the benchmark interest rate.

- **IAS 1 Presentation of financial statements: Classification of Debts as Current Debts or Long-Term Debts (Changes)**

The changes will enter into force for annual periods beginning on or after January 1, 2022, and early application is permitted. The amendments aim to promote consistency in the application of the requirements, helping companies to determine whether, within the statement of financial position, debts and other debts with an uncertain settlement date should be classified as current or long-term. The changes affect the presentation of the liabilities within the statement of financial position and do not modify the existing requirements regarding the assessment or the moment of recognition of any asset, debt, income or expenses item, nor the information that the entities publish on these elements. Also, the amendments clarify the classification requirements for the debts that can be settled by the company that issues own equity instruments. These changes have not yet been adopted by the EU.

2. Basis of preparation (continued)

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:

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
- 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)

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 for more details.

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.

- 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
    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
    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
    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;
- LGD *Loss Given Default* model takes into account cashbacks, portfolio sales and collateral recoveries;

3. Summary of significant accounting policies (continued)

e) Impairment model of financial assets (continued)

- 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 6.6% 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
- At least once every 3 years, for residential real estate or with higher frequency if the real estate market displays a significant negative evolution.

(Amounts in thousands RON)

3. Summary of significant accounting policies (continued)

e) Impairment model of financial assets (continued)

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, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
RON/ EUR	4.7793	4.6639
RON/ USD	4.2608	4.0736

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

An associate is an enterprise in which the Group and Bank exercises significant influence and is neither a subsidiary nor a joint venture. Associates 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 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. Goodwill relating to an associate 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.

The income statement reflects the share of the results of operations of associates. Where there has been a change recognized directly in the equity of the associate, 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 the Group are identical and the associates' 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.

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.

3. Summary of significant accounting policies (continued)

j) Tangible assets (continued)

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, 2019 and 2018 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, 2019 and 2018 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, 2019				December 31, 2018			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	**57,770,504**	**22,291,550**	**8,993,984**	**26,484,970**	**55,719,369**	**21,695,837**	**8,668,451**	**25,355,080**
Loans and advances to customers, net & Finance lease receivables	31,285,534	22,291,550	8,993,984	-	30,364,288	21,695,837	8,668,451	-
Other assets	26,484,970	-	-	26,484,970	25,355,080	-	-	25,355,080
Total liabilities	**57,770,504**	**30,352,256**	**15,546,495**	**11,871,753**	**55,719,369**	**29,819,932**	**15,397,063**	**10,502,374**
Due to customers	45,898,751	30,352,256	15,546,495	-	45,216,995	29,819,932	15,397,063	-
Other liabilities	11,871,753	-	-	11,871,753	10,502,374	-	-	10,502,374

Bank

	December 31, 2019				December 31, 2018			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	**55,853,239**	**21,283,853**	**8,182,927**	**26,386,459**	**54,089,354**	**20,858,569**	**8,034,774**	**25,196,011**
Loans and advances to customers, net	29,466,780	21,283,853	8,182,927	-	28,893,343	20,858,569	8,034,774	-
Other assets	26,386,459	-	-	26,386,459	25,196,011	-	-	25,196,011
Total liabilities	**55,853,239**	**30,352,256**	**15,687,393**	**9,813,590**	**54,089,354**	**29,819,932**	**15,495,624**	**8,773,798**
Due to customers	46,039,649	30,352,256	15,687,393	-	45,315,556	29,819,932	15,495,624	-
Other liabilities	9,813,590	-	-	9,813,590	8,773,798	-	-	8,773,798

The Bank has restated the presentation of non-recourse factoring exposures for the year ended on December, 31st 2018. The reclassification has no impact in the computation of expected credit losses.

(Amounts in thousands RON)

4. Segment information (continued)

Group

	2019				2018			
	Total	**Retail**	**Non retail**	**Corporate Center**	**Total**	**Retail**	**Non retail**	**Corporate Center**
Net interest income	2,150,362	1,404,587	452,820	292,955	1,988,819	1,313,274	444,586	230,958
Fees and commissions, net	805,613	629,642	183,636	(7,665)	797,147	623,599	173,046	502
Total non-interest income	313,933	95,136	83,900	134,896	329,316	100,123	93,321	135,872
Operating income	**3,269,908**	**2,129,365**	**720,356**	**420,187**	**3,115,283**	**2,036,997**	**710,953**	**367,332**
Total operating expenses	**(1,677,537)**	**(1,208,466)**	**(430,717)**	**(38,354)**	**(1,489,665)**	**(1,084,192)**	**(381,144)**	**(24,329)**
Cost of risk	203,673	(176,862)	395,183	(14,648)	230,388	(46,250)	275,175	1,462
Profit before income tax	**1,796,044**	**744,037**	**684,822**	**367,184**	**1,856,005**	**906,556**	**604,984**	**344,466**
Total income tax	(296,889)	(123,018)	(113,227)	(60,644)	(292,903)	(142,908)	(95,369)	(54,626)
Profit for the period	**1,499,155**	**621,020**	**571,595**	**306,540**	**1,563,102**	**763,647**	**509,615**	**289,839**
Cost Income Ratio	**51.3%**	**56.8%**	**59.8%**	**9.1%**	**47.8%**	**53.2%**	**53.6%**	**6.6%**

(Amounts in thousands RON)

4. Segment information (continued)

Bank

	2019				2018			
	Total	**Retail**	**Non retail**	**Corporate Center**	**Total**	**Retail**	**Non retail**	**Corporate Center**
Net interest income	2,023,513	1,318,287	407,349	297,877	1,869,332	1,231,429	402,868	235,035
Fees and commissions, net	767,205	594,101	179,841	(6,737)	759,301	592,014	170,875	(3,587)
Total non-interest income	379,420	94,482	79,081	205,857	352,283	98,253	90,361	163,670
Operating income	**3,170,137**	**2,006,868**	**666,271**	**496,997**	**2,980,915**	**1,921,694**	**664,104**	**395,117**
Total operating expenses	**(1,580,382)**	**(1,138,349)**	**(404,024)**	**(38,009)**	**(1,399,639)**	**(1,014,853)**	**(361,014)**	**(23,772)**
Cost of risk	223,861	(156,188)	394,713	(14,664)	246,276	(25,987)	271,185	1,078
Profit before income tax	**1,813,617**	**712,332**	**656,960**	**444,324**	**1,827,552**	**880,854**	**574,275**	**372,424**
Total income tax	(285,094)	(111,976)	(103,272)	(69,846)	(281,564)	(135,710)	(88,476)	(57,378)
Profit for the period	**1,528,523**	**600,356**	**553,688**	**374,479**	**1,545,988**	**745,144**	**485,798**	**315,046**
Cost Income Ratio	**49.9%**	**56.7%**	**60.6%**	**7.6%**	**47.0%**	**52.8%**	**54.4%**	**6.0%**

(Amounts in thousands RON)

5. Cash in hand

	Group		Bank	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Cash in vaults	1,496,734	1,679,393	1,496,701	1,679,366
Cash in ATM	580,639	556,651	580,639	556,651
Total	**2,077,373**	**2,236,045**	**2,077,340**	**2,236,018**

6. Due from Central Bank

	Group		Bank	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Current accounts	3,765,134	3,785,491	3,765,134	3,785,491
Deposits	1,000,139	-	1,000,139	-
Total	**4,765,273**	**3,785,491**	**4,765,273**	**3,785,491**

7. Due from banks

	Group		Bank	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Deposits at Romanian banks	116,969	6,916	116,968	6,916
Deposits at foreign banks	2,655,043	2,991,057	2,637,231	2,972,634
Current accounts at Romanian banks	30	46	28	40
Current accounts at foreign banks	637,553	318,325	637,553	318,325
Total	**3,409,594**	**3,316,344**	**3,391,780**	**3,297,915**

The Due from banks portfolio is classified as Stage 1. The Group and Bank registered an impairment allowance for Due from banks of 252 as at December 31, 2019 (December 31, 2018: 87).

8. Derivative and other financial instruments held for trading

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 loans/deposits	50,006	140,007
Total financial assets and liabilities held for trading	**1,117,016**	**140,007**

(Amounts in thousands RON)

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

Group	**December 31, 2018**		
	Assets	**Liabilities**	**Notional (total)**
Interest rate swaps	94,603	39,294	3,597,364
Currency swaps	13,008	5,315	3,373,255
Forward foreign exchange contracts	2,772	13,246	1,705,429
Options	45,877	47,106	4,835,670
Total derivative financial instruments	**156,260**	**104,960**	**13,511,718**

	December 31, 2018	
	Assets	**Liabilities**
Treasury notes/Short selling	780,679	107,432
Trading deposits	-	128,669
Reverse repo	1,315,524	-
Total financial assets and liabilities held for trading	**2,096,203**	**236,101**

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 loans/deposits	50,006	140,007
Total financial assets and liabilities held for trading	**1,117,016**	**140,007**

	December 31, 2018		
	Assets	**Liabilities**	**Notional (total)**
Interest rate swaps	94,603	39,294	3,597,364
Currency swaps	13,008	5,315	3,373,255
Forward foreign exchange contracts	2,829	13,246	1,728,748
Options	45,877	47,106	4,835,670
Total derivative financial instruments	**156,316**	**104,960**	**13,535,037**

	December 31, 2018	
	Assets	**Liabilities**
Treasury notes/Short selling	780,679	107,432
Trading deposits	-	128,669
Reverse repo	1,315,524	-
Total financial assets and liabilities held for trading	**2,096,203**	**236,101**

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

The Group continue to apply hedge accounting (fair value hedge) as at December 31, 2019 and has 3 hedging relationships (3 hedging relationships as at December 31, 2018).

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 41.66 million EUR with a fixed interest rate of 1.058%. The remaining period for the hedging instrument is of 1.25 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:

- 162 million EUR yearly with a fixed interest rate of 0.42%, the remaining period of 8.5 years.
- 64 million EUR yearly with a fixed interest rate of -0.0125%, the remaining period of 3.5 years.
- 60 million EUR yearly with a fixed interest rate of 0.171%, the remaining period of 5.5 years.
- 56 million EUR yearly with a fixed interest rate of -0.0125%; the remaining period of 3.5 years.
- 36 million USD yearly with a fixed interest rate of 2.813%; the remaining period of 8.5 years.
- 24 million USD yearly with a fixed interest rate of 2.765%; the remaining period of 3.5 years.

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 31 December 2019, 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 38,989. The change in value of the hedged item during the period is explained by loss from revaluation in amount of -27,718. During 2019, the difference between the hedging gains or losses of the hedging instrument and the hedged item recognized in profit or loss amounts -755.

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

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

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

	December 31, 2018		
	Assets	**Liabilities**	**Notional (total)**
Interest rate swaps	7,870	-	2,442,206

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.

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.

(Amounts in thousands RON)

9. Loans and advances to customers

	Group		Bank	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Loans, gross	31,883,889	31,576,437	30,955,516	30,768,470
Loans impairment	(1,591,020)	(1,973,161)	(1,488,736)	(1,875,127)
Total	**30,292,869**	**29,603,276**	**29,466,780**	**28,893,343**

The structure of loans is the following:

	Group		Bank	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Working capital loans	4,213,769	3,988,989	4,213,769	3,988,989
Loans for equipment	2,655,312	2,758,169	2,428,421	2,583,418
Trade activities financing	1,030,273	1,124,650	1,030,273	1,124,650
Acquisition of real estate, including mortgage for individuals	12,879,426	12,413,066	12,879,426	12,413,066
Consumer loans	9,193,807	9,332,902	8,492,325	8,699,685
Other	1,911,302	1,958,662	1,911,302	1,958,662
Total	**31,883,889**	**31,576,437**	**30,955,516**	**30,768,470**

The Bank has restated the presentation of non-recourse factoring exposures for the year ended on December, 31st 2018. The reclassification has no impact in the computation of expected credit losses.

During 2019 the gross loan portfolio remained stable with an increase of 187 million RON as compared with 31 December 2018.

As at 31 December 2019 the Bank's gross loan portfolio and movements were distributed as follows:

- Stage 1: 24,241 million RON, with a 2,334 million increase compared to 31 December 2018
- Stage 2: 5,485 million RON, with a 1,657 million RON decrease compared to 31 December 2018
- Stage 3: 1,164 million RON, with a 476 million RON decrease compared to 31 December 2018
- POCI: 65 million RON, with a 13 million RON decrease compared to 31 December 2018

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

- The methodological changes impacting loan classification determined the shift from Stage 2 to Stage 1, primarily for Retail counterparties exposures; also, new exposures taken on low risk counterparties are reflected as an increase in Stage 1;
- The decrease on Stage 3 reflects the Bank's continuous efforts to improve the quality of the loan portfolio, along with proactive actions to enhance the recoveries of non-performing exposures and write-off operations

As of December 31, 2019 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 3,383,804 (December 31, 2018: 2,685,093), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts for the Group and Bank to 3,275,635 (December 31, 2018: 3,691,400).

(Amounts in thousands RON)

9. Loans and advances to customers (continued)

Impairment allowance movement

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**

(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 2018	169,120	297,729	780,822	3,271	**1,250,941**
New assets originated or purchased	17,557	38,972	38,017	229	**94,776**
Assets derecognised or repaid (excluding write offs)	(7,553)	(25,167)	(95,080)	-	**(127,799)**
Net provision movement for assets that did not change classification	(15,046)	(24,100)	(27,373)	12	**(66,507)**
Movements due to change in classification	(2,620)	(10,517)	122,016	135	**109,014**
Amounts written off	(1)	(63)	(138,374)	-	**(138,437)**
Other adjustments	15	126	223	2	**367**
Impairment allowance as at 31 December 2018	**161,473**	**276,981**	**680,251**	**3,648**	**1,122,354**

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2018	67,794	215,840	1,316,850	29,646	**1,630,130**
New assets originated or purchased	27,078	25,626	4,698	20	**57,422**
Assets derecognised or repaid (excluding write offs)	(22,734)	(77,346)	(182,297)	-	**(282,376)**
Net provision movement for assets that did not change classification	12,177	(41,802)	(14,694)	12,288	**(32,031)**
Movements due to change in classification	(1,095)	(7,209)	40,671	-	**32,367**
Amounts written off	-	-	(554,090)	-	**(554,090)**
Other adjustments	(559)	(146)	39	52	**(614)**
Impairment allowance as at 31 December 2018	**82,662**	**114,961**	**611,178**	**42,006**	**850,807**

	Total				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2018	236,914	513,569	2,097,672	32,917	**2,881,071**
New assets originated or purchased	44,636	64,598	42,715	249	**152,198**
Assets derecognised or repaid (excluding write offs)	(30,286)	(102,513)	(277,376)	-	**(410,175)**
Net provision movement for assets that did not change classification	(2,869)	(65,902)	(42,066)	12,299	**(98,538)**
Movements due to change in classification	(3,715)	(17,727)	162,687	135	**141,381**
Amounts written off	(1)	(63)	(692,464)	-	**(692,528)**
Other adjustments	(544)	(20)	262	54	**(248)**
Impairment allowance as at 31 December 2018	**244,135**	**391,943**	**1,291,429**	**45,653**	**1,973,161**

(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 2018	149,614	290,109	713,061	3,271	**1,156,055**
New assets originated or purchased	16,123	35,746	21,306	229	**73,404**
Assets derecognised or repaid (excluding write offs)	(7,502)	(25,152)	(95,080)	-	**(127,734)**
Net provision movement for assets that did not change classification	(12,848)	(22,298)	(27,476)	12	**(62,611)**
Movements due to change in classification	(2,587)	(10,507)	122,016	135	**109,057**
Amounts written off	(1)	(63)	(120,544)	-	**(120,608)**
Other adjustments	3	105	223	2	**333**
Impairment allowance as at 31 December 2018	**142,803**	**267,941**	**613,505**	**3,648**	**1,027,898**

	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2018	67,335	214,659	1,316,100	29,646	**1,627,739**
New assets originated or purchased	26,701	24,879	4,698	20	**56,298**
Assets derecognised or repaid (excluding write offs)	(22,582)	(76,963)	(182,240)	-	**(281,784)**
Net provision movement for assets that did not change classification	12,167	(42,609)	(14,868)	12,288	**(33,022)**
Movements due to change in classification	(1,010)	(7,182)	40,671	-	**32,480**
Amounts written off	-	-	(554,090)	-	**(554,090)**
Other adjustments	(530)	46	42	52	**(390)**
Impairment allowance as at 31 December 2018	**82,081**	**112,830**	**610,313**	**42,006**	**847,230**

	Total				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2018	216,949	504,768	2,029,161	32,917	**2,783,795**
New assets originated or purchased	42,825	60,624	26,004	249	**129,702**
Assets derecognised or repaid (excluding write offs)	(30,084)	(102,115)	(277,319)	-	**(409,518)**
Net provision movement for assets that did not change classification	(681)	(64,907)	(42,345)	12,299	**(95,633)**
Movements due to change in classification	(3,596)	(17,689)	162,687	135	**141,537**
Amounts written off	(1)	(63)	(674,635)	-	**(674,698)**
Other adjustments	(527)	151	265	54	**(57)**
Impairment allowance as at 31 December 2018	**224,885**	**380,771**	**1,223,818**	**45,653**	**1,875,127**

(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, 2019	**December 31, 2018**
Gross investment in finance lease:		
Under 1 year	440,905	347,883
Between 1 and 5 years	695,844	549,352
Higher than 5 years	11,814	3,194
	1,148,563	**900,429**
Unearned finance income	(84,639)	(62,180)
Net investment in finance lease	**1,063,924**	**838,249**
Net investment in finance lease:		
Under 1 year	400,999	318,277
Between 1 and 5 years	651,492	516,955
Higher than 5 years	11,433	3,016
	1,063,924	**838,249**

	December 31, 2019	**December 31, 2018**
Net investment in the lease	1,063,924	838,249
Accumulated allowance for uncollectible minimum lease payments receivable	(71,258)	(77,237)
Total	**992,665**	**761,012**

(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 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)**
Changes due to change in credit risk (net)	(44)	65	(21)	-
Changes due to modifications without derecognition (net)	(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)**
Changes due to change in credit risk (net)	3,253	(4,128)	875	-
Changes due to modifications without derecognition (net)	(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)**
Changes due to change in credit risk (net)	3,209	(4,063)	854	-
Changes due to modifications without derecognition (net)	(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)

10. Finance lease receivables (continued)

Impairment allowance movement (continued)

	Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2018 (under IFRS 9)	570	1,068	21,524	**23,162**
New assets originated or purchased	317	325	235	**877**
Assets derecognised or fully repaid (excluding write offs)	(244)	(132)	(1,117)	**(1,492)**
Changes due to change in credit risk (net)	-	-	831	**831**
Changes due to update in the institution's methodology for estimation (net)	(115)	(172)	-	**(286)**
Amounts written off	-	-	(5,528)	**(5,528)**
Foreign exchange adjustments	31	43	-	**74**
Impairment allowance as at 31 December 2018	**560**	**1,133**	**15,945**	**17,637**

	Non-retail			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2018 (under IFRS 9)	3,020	13,943	61,776	**78,740**
New assets originated or purchased	1,241	5,559	1,268	**8,068**
Assets derecognised or fully repaid (excluding write offs)	(1,227)	(5,029)	(18,452)	**(24,708)**
Changes due to change in credit risk (net)	137	291	3,634	**4,062**
Changes due to update in the institution's methodology for estimation (net)	(655)	(441)	-	**(1,096)**
Amounts written off	-	(17)	(5,575)	**(5,592)**
Foreign exchange adjustments	79	112	(66)	**124**
Impairment allowance as at 31 December 2018	**2,595**	**14,418**	**42,585**	**59,598**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Impairment allowance as at 1 st January 2018 (under IFRS 9)	3,591	15,011	83,300	**101,902**
New assets originated or purchased	1,557	5,884	1,504	**8,945**
Assets derecognised or fully repaid (excluding write offs)	(1,471)	(5,160)	(19,569)	**(26,200)**
Changes due to change in credit risk (net)	137	291	4,464	**4,892**
Changes due to update in the institution's methodology for estimation (net)	(769)	(613)	-	**(1,382)**
Amounts written off	-	(17)	(11,103)	**(11,120)**
Foreign exchange adjustments	110	155	(66)	**198**
Impairment allowance as at 31 December 2018	**3,155**	**15,550**	**58,530**	**77,235**

As at December 31, 2019 and December 31, 2018, the future minimum lease receipts regarding operating leases (rents) concluded by the Group and Bank as a lessor are:

	Group		**Bank**	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Less than one year	753	1,437	753	1,437
Between one and five years	1,435	4,797	1,435	4,797
More than five years	715	3,041	715	3,041
Total	**2,903**	**9,275**	**2,903**	**9,275**

(Amounts in thousands RON)

11. Financial assets at fair value through profit or loss

	Group		Bank	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Equity investments	68,709	47,363	68,709	47,363
Other securities	39,345	35,113	18,666	15,235
Total	**108,054**	**82,476**	**87,375**	**62,598**

Equity investments

Other equity investments represent shares in Visa Inc, Romanian Commodities Exchange (Bursa de Valori Bucuresti), Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA, TransFond, 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), Romanian Clearing House (SC Casa Romana de Compensatie SA), Bucharest Clearing House (Casa de Compensare Bucuresti SA).

Other securities

The Group holds fund units in:

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 Global	180	6,514	1,171
Total			**39,345**

December 31, 2018	Unit value RON	No of units	Market value
BRD Simfonia	41	392,962	16,176
BRD Obligatiuni	168	21,980	3,701
BRD Diverso	170	37,578	6,403
BRD Actiuni	177	44,358	7,857
BRD Index	150	6,514	976
Total			**35,113**

(Amounts in thousands RON)

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

The Bank holds fund units in:

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 Global	180	6,514	1,171
Total			**18,666**

December 31, 2018	Unit value RON	No of units	Market value
BRD Diverso	170	37,578	6,402
BRD Actiuni	177	44,358	7,857
BRD Index	150	6,514	976
Total			**15,235**

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 12,381,958 rated as BBB- by Standard&Poors, bonds issued by Frech State in amount of 242,610 rated as AA by Standard&Poors and bonds issued by the Belgian State in amount of 333,545 rated as AA by Standard&Poors.

As at December 31, 2019, these financial assets at fair value through other comprehensive income are classified as Stage 1 and ECL impairment allowance amounts to 2,516 (December 31, 2018: 3,713).

(Amounts in thousands RON)

13. Investments in subsidiaries and associates

Group

Associates	**%**	**December 31, 2018**	**Additions/ Reclassifications**	**Increase / (decrease) in net assets**	**December 31, 2019**
BRD Asigurari de Viata SA	49%	30,881	-	(3,389)	27,492
BRD Fond de Pensii S.A.	49%	9,283	4,405	(2,448)	11,241
Fondul de Garantare a Creditului Rural	33%	20,027	-	(1,291)	18,737
ALD Automotive	20%	21,411	-	2,494	23,904
BRD Sogelease Asset Rental SRL	20%	(0)	-	1,031	1,031
Biroul de Credit S.A.	16%	3,317	-	(148)	3,169
		84,919	**4,405**	**(3,750)**	**85,574**

Group

Associates	**%**	**December 31, 2017**	**Additions/ Reclassifications**	**Increase / (decrease) in net assets**	**December 31, 2018**
BRD Asigurari de Viata SA	49.00%	35,219	-	(4,336)	30,881
BRD Fond de Pensii S.A.	49.00%	9,602	-	(319)	9,283
Fondul de Garantare a Creditului Rural	33.33%	17,379	-	2,649	20,027
Mobiasbanca Groupe Societe Generale S.A.	20.00%	69,047	(78,517)	9,470	-
ALD Automotive	20.00%	15,985	-	5,426	21,411
BRD Sogelease Asset Rental SRL	20.00%	1,097	-	(1,097)	(0)
Biroul de Credit S.A.	16.38%	3,531	-	(214)	3,317
		151,859	**(78,517)**	**11,578**	**84,919**

(Amounts in thousands RON)

13. Investments in subsidiaries and associates (continued)

Bank

	%	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		**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**

Bank

	%	December 31, 2017	Additions/ Reclassifications	December 31, 2018
BRD Asigurari de Viata SA	49.00%	17,697	-	17,697
BRD Fond de Pensii S.A.	49.00%	16,160	-	16,160
Fondul de Garantare a Creditului Rural	33.33%	14,220	-	14,220
Mobiasbanca Groupe Societe Generale S.A.	20.00%	29,017	(29,017)	-
ALD Automotive	20.00%	11,873	-	11,873
Biroul de Credit S.A.	16.38%	729	-	729
Associates		**89,696**	**(29,017)**	**60,679**
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		**158,594**	**(29,017)**	**129,577**

In 2018 BRD Group decided to sell its equity stake in Mobiasbanca – Groupe Societe Generale SA and as of 31st of December 2018 the Group and the Bank reclassified the participation from "Investments in associates and subsidiaries" into "Non-current assets held for sale". As at 31 December 2018, the carrying amount in the Bank separate statement of financial position is 29,017, representing the historical cost of the investment while in the Group statement it amounts 72,290, representing the fair value. At reclassification date, a fair value adjustment of (6,227) was recognised in the profit and loss.

In 2019, the Bank sold its equity stake of 2,000,001 shares in Mobiasbanca for a price per share of 152,57 MDL. The transaction has been registered at Moldavian Stock Exchange on July 22nd, 2019.

(Amounts in thousands RON)

13. Investments in subsidiaries and associates (continued)

The subsidiaries and associate summary 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	27,496	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					**85,576**						

(Amounts in thousands RON)

13. Investments in subsidiaries and associates (continued)

The subsidiaries and associate summary of financial position and income statement as at December 31, 2018 are as follows:

December 31, 2018	%	Current assets	Non-current assets	Net assets	% of net assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Net profit/(loss)
Subsidiare											
BRD Sogelease IFN SA	99.98%	474,519	654,951	217,447	n/a	1,129,470	322,278	589,744	912,022	55,982	27,573
BRD Finance Credite de Consum IFN SA	49.00%	167,841	476,482	92,549	n/a	644,323	299,171	252,603	551,774	122,523	14,509
BRD Asset Management SAI SA	99.98%	1,653	21,837	21,406	n/a	23,490	393	1,691	2,084	22,070	2,995
Asociat											
ALD Automotive	20.00%	57,994	526,482	107,056	21,406	584,476	41,182	436,237	477,419	173,526	9,628
Mobiasbanca Groupe Societe Generale S.A.	20.00%	1,300,135	1,332,978	392,592	78,516	2,633,113	31,096	2,209,424	2,240,521	222,275	71,939
BRD Asigurari de Viata SA	49.00%	271,127	56,726	63,028	30,883	327,853	116,752	148,073	264,825	179,073	17,701
Fondul de Garantare a Creditului Rural	33.33%	745,368	8,366	60,082	20,030	753,734	52,097	641,554	693,651	27,405	12,177
Biroul de Credit S.A.	16.38%	16,795	3,833	20,266	3,317	20,627	361	-	361	12,990	5,610
BRD Fond de Pensii S.A.	49.00%	24,222	6,353	18,944	9,283	30,575	1,229	10,403	11,632	20,186	(134)
BRD Sogelease Asset Rental SRL	20.00%	10,899	91,915	(3,996)	-	102,814	52,775	54,036	106,811	18,189	(3,693)
Total					163,435						

(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, 2017	**1,322,042**	**29,239**	**240,911**	**553,551**	**55,319**	**-**	**2,201,062**
Additions	641	-	993	349	69,271	-	71,254
Transfers	12,356	7,912	37,834	28,560	(80,343)	-	6,319
Disposals	(11,196)	-	(33,776)	(34,262)	(65)	-	(79,299)
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**
Depreciation and impairment:							
as of December 31, 2017	**(718,318)**	**(16,698)**	**(187,891)**	**(432,691)**	**-**	**-**	**(1,355,598)**
Depreciation	(40,978)	(1,381)	(26,777)	(29,526)	-	-	(98,662)
Impairment	711	-	-	813	-	-	1,524
Disposals	9,730	-	33,934	30,589	-	-	74,253
Transfers	1,460	-	-	(1,460)	-	-	-
as of December 31, 2018	**(747,395)**	**(18,080)**	**(180,734)**	**(432,276)**	**-**		**(1,378,483)**
as at 1 st January 2019 (under IFRS 16)	**(747,395)**	**(18,080)**	**(180,734)**	**(432,276)**	**-**	**-**	**(1,378,483)**
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)**	**(19,404)**	**(179,944)**	**(406,296)**	**-**	**(85,769)**	**(1,465,367)**
Net book value:							
as of December 31, 2017	**603,724**	**12,541**	**53,020**	**120,860**	**55,319**	**-**	**845,464**
as of December 31, 2018	**576,448**	**19,071**	**65,228**	**115,922**	**44,182**	**-**	**820,853**
as at 1 st January 2019 (under IFRS 16)	**576,448**	**19,071**	**65,228**	**115,922**	**44,182**	**482,209**	**1,303,062**
as of December 31, 2019	**549,378**	**17,818**	**61,723**	**103,951**	**71,291**	**407,156**	**1,211,317**

(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 24,577 as at December 31, 2019 (December 31, 2018: 21,349). The fair value has been determined based on a valuation by an independent valuer in 2019. Rental income from investment property of 1,349 (December 31, 2018: 1,849) 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, 2017	**1,311,942**	**29,243**	**230,249**	**552,949**	**55,318**	**-**	**2,179,701**
Additions	641	-	-	349	69,271	-	70,262
Transfers	12,356	7,908	37,834	28,558	(80,343)	-	6,314
Disposals	(11,117)	-	(33,755)	(34,121)	(65)	-	(79,058)
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**
Depreciation and impairment:							
as of December 31, 2017	**(713,821)**	**(16,700)**	**(178,825)**	**(432,164)**	**-**	**-**	**(1,341,512)**
Depreciation	(40,742)	(1,380)	(26,005)	(29,528)	-	-	(97,655)
Impairment	711	-	-	813	-	-	1,524
Disposals	9,730	-	33,754	30,594	-	-	74,078
Transfers	1,460	-	-	(1,460)	-	-	-
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)**	**(19,404)**	**(174,038)**	**(406,025)**	**-**	**(80,218)**	**(1,448,666)**
Net book value:							
as of December 31, 2017	**598,121**	**12,543**	**51,424**	**120,785**	**55,318**	**-**	**838,189**
as of December 31, 2018	**571,161**	**19,071**	**63,252**	**115,991**	**44,182**	**-**	**813,656**
as at 1 st January 2019 (under IFRS 16)	**571,161**	**19,071**	**63,252**	**115,991**	**44,182**	**467,125**	**1,280,781**
as of December 31, 2019	**544,239**	**17,818**	**59,631**	**103,625**	**71,292**	**396,486**	**1,193,090**

(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 and other movements	(78,292)	(1,976)	(5,501)	(85,769)
Disposals and other decreases	(32,539)	-	(74)	(32,614)
Contractual changes	(4,869)	(72)	(9)	(4,950)
as of December 31, 2019	**391,651**	**6,087**	**9,418**	**407,156**

	Lease liabilities
as of January 1, 2019	**482,208**
Additions	46,851
Disposals and other decreases	(13,420)
Other movements (i.e. FX)	(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 and other movements	(73,407)	(1,976)	(4,835)	(80,218)
Disposals and other decreases	(32,539)	-	(4)	(32,544)
Contractual changes	(4,579)	(72)	(2)	(4,653)
as of December 31, 2019	**382,680**	**6,087**	**7,719**	**396,486**

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

The position representing disposal of right of use includes termination of agreements and other movement represent updates in the agreement clauses that generated a decrease in ROU.

(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, 2019, the branch had a number of 3,504 active customers (2018: 3,518), with loans representing approximately 12% from total loans managed by the network (2018: 11%) and with deposits representing about 14% of networks' deposits (2018: 15%). 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, 2019 and December 31, 2018 represents mainly software.

	Group	**Bank**
Cost:		
as of December 31, 2017	**457,685**	**426,775**
Additions	76,794	76,000
Disposals	(2,115)	(2,037)
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**
Amortization:		
as of December 31, 2017	**(351,277)**	**(323,512)**
Amortization expense	(38,269)	(36,634)
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)**
Net book value:		
as of December 31, 2017	**106,408**	**103,263**
as of December 31, 2018	**142,818**	**140,592**
as of December 31, 2019	**185,289**	**181,424**

(Amounts in thousands RON)

17. Other assets

	Group		Bank	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Advances to suppliers	62,354	84,419	-	-
Sundry receivable	179,530	189,424	172,343	176,670
Prepaid expenses	36,849	33,222	29,392	29,069
Repossessed assets	16,422	10,918	14,235	9,521
Other assets	5,975	9,915	4,800	5,973
Total	**301,130**	**327,898**	**220,770**	**221,233**

The sundry receivables balances includes various commissions, sundry debtors, dividends and are net of impairment allowance, which at Group level is 88,787 (December 31, 2018: 165,891) and at Bank level is 78,491 (December 31, 2018: 155,095). In addition, sundry receivable include an amount of 43,108 (December 31, 2018: 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, 2019 the carrying value of repossessed assets for Group is 16,422 (December 31, 2018: 10,918). As of December 31, 2019 the carrying value of repossessed assets for Bank is 14,235 (December 31, 2018: 9,521), representing 7 residential buildings (December 31, 2018: 3 residential buildings).

Group

Sundry receivables	**Total (Stage3)**
Impairment allowance as at December 31, 2018	165,891
Additional expenses	58,758
Reversals of provisions	(18,777)
Receivables written off	(117,494)
Foreign exchange adjustments	409
Impairment allowance as at as at December 31, 2019	**88,787**

	Total
Impairment allowance as at 1 st January 2018	124,714
Additional expenses	68,544
Reversals of provisions	(25,668)
Receivables written off	(1,688)
Foreign exchange adjustments	(11)
Impairment allowance as at 31 December 2018	**165,891**

(Amounts in thousands RON)

17. Other assets (continued)

Bank

Sundry receivables	**Total (Stage3)**
Impairment allowance as at December 31, 2018	155,095
Additional expenses	57,210
Reversals of provisions	(16,820)
Receivables written off	(117,494)
Foreign exchange adjustments	500
Impairment allowance as at as at December 31, 2019	**78,491**

	Total
Impairment allowance as at 1 st January 2018	111,666
Additional expenses	67,437
Reversals of provisions	(22,360)
Receivables written off	(1,688)
Foreign exchange adjustments	40
Impairment allowance as at 31 December 2018	**155,095**

18. Due to banks

	Group		**Bank**	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Demand deposits	373,268	227,819	373,268	227,819
Term deposits	47,843	69,998	47,843	69,998
Due to banks	**421,112**	**297,817**	**421,112**	**297,817**

19. Due to customers

	Group		**Bank**	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Demand deposits	32,935,428	29,856,889	33,045,752	29,940,061
Term deposits	12,963,323	15,360,106	12,993,897	15,375,495
Due to customers	**45,898,751**	**45,216,995**	**46,039,649**	**45,315,556**

(Amounts in thousands RON)

20. Borrowed funds

	Group		Bank	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Borrowings from related parties	1,442,614	1,052,416	235	227
Borrowings from international financial institutions	253,881	254,140	10,132	16,273
Borrowings from other institutions	-	82	-	82
Total	**1,696,495**	**1,306,638**	**10,367**	**16,582**

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 at December 31, 2019 the Group has a current tax liability in total amount of 15,117 (December 31, 2018: 2,305) and a current tax asset in total amount of 136 (December 31, 2018: 10,312).

The deferred tax liability/asset is reconciled as follows:

	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)**

(Amounts in thousands RON)

21. Taxation (continued)

	Group December 31, 2018				
	Temporary differences Asset / (Liability)	**Consolidated Statement of Financial Position Asset / (Liability)**	**Consolidated Income Statement (Expense) / Income**	**Consolidated OCI (Expense) / Income**	**Impact IFRS 9**
Elements generating deferred tax					
Defined benefit obligation	27,630	(4,421)	-	5,299	-
Investments and other securities	(44,241)	7,079	(351)	(13,745)	4,589
Tangible and intangible assets	(128,764)	20,602	2,308	-	0
Provisions and other liabilities	(563,876)	90,219	4,874	-	(17,967)
Taxable items	**(709,251)**				
Deferred tax		**113,480**	**6,831**	**(8,446)**	**(13,377)**

	Bank December 31, 2018				
	Temporary differences Asset / (Liability)	**Individual Statement of Financial Position Asset / (Liability)**	**Individual Income Statement (Expense) / Income**	**Consolidated OCI (Expense) / Income**	**Impact IFRS 9**
Elements generating deferred tax					
Defined benefit obligation	27,630	(4,421)	-	5,299	-
Investments and other securities	(35,994)	5,759	-	(13,746)	4,589
Tangible and intangible assets	(128,623)	20,580	2,151	-	-
Provisions and other liabilities	(534,212)	85,474	4,831	-	(22,111)
Taxable items	**(671,199)**				
Deferred tax		**107,392**	**6,982**	**(8,447)**	**(17,521)**

Movement in deferred tax is as follows:

	Group	**Bank**
Deferred tax asset, net as of December 31, 2017	**111,581**	**109,485**
Impact IFRS 9, recognized in OCI	(13,378)	(17,521)
Deferred tax recognized in other comprehensive income	8,446	8,446
Deferred tax recognized in profit and loss	6,831	6,982
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**

(Amounts in thousands RON)

21. Taxation (continued)

Reconciliation of total tax charge

	Group		Bank	
	2019	2018	2019	2018
Profit before income tax	**1,796,044**	**1,856,005**	**1,813,617**	**1,827,553**
Income tax (16%)	287,367	296,961	290,179	292,408
Fiscal credit	(22,945)	(22,897)	(22,376)	(22,379)
Non-deductible elements	51,290	39,556	35,393	26,804
Non-taxable elements	(18,822)	(20,717)	(18,101)	(15,270)
Expense from income tax at effective tax rate	**296,889**	**292,903**	**285,094**	**281,564**
Effective tax rate	16.5%	15.8%	15.7%	15.4%

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, 2019, permanent non-deductible elements include the impact of provisions for overdue commissions 9,097 (December 31, 2018: 8,749), sponsorship expenses with an impact of 1,418 (December 31, 2018: 1,674), and debt sales and other operations with limited deductibility in amount of 111,442 (December 31, 2018: 11,359); permanent non-taxable elements are mainly a result of releases for provisions for over-due commissions in amount of 2,669 (December 31, 2018: 2,138), provisions for litigations 253 (December 31, 2018: 1,636), and dividends income with an impact of 6,536 (December 31, 2018: 8,319).

22. Other liabilities

	Group		Bank	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Sundry creditors	276,775	314,336	210,376	204,957
Other payables to State budget	47,409	45,206	45,916	43,736
Deferred income	19,165	18,383	18,735	18,380
Payables to employees	156,546	135,739	147,811	128,019
Financial guarantee and loan commitments provisions	376,372	344,669	389,419	358,583
Other provisions	52,005	38,793	47,075	37,254
Creditors - Lease liabilities	417,309	-	406,523	-
Total	**1,345,581**	**897,126**	**1,265,855**	**790,929**

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 69,310 as of December 31, 2019 (December 31, 2018: 60,080) and post-employment benefits amounting 57,584 as of December 31, 2019 (December 31, 2018: 49,281).

(Amounts in thousands RON)

22. Other liabilities (continued)

As at December 31, 2019 "Other provisions" includes mainly transformation cost provision, provisions for litigation and the provision for sale of a loan portfolio, as detailed below:

- Following the transformation process encompassed by the Bank in 2017 which envisaged an increase in quality delivered to the customers as well as an improved operational efficiency , during 2018 a reversal of provision amounting to 10,17 million was performed referring to the first year of the plan. During 2019 a reversal of 3,6 million was performed.
- The Bank has sold in 2017 a portfolio of non-performing loans with a net book value of RON 5.1 million by transferring the contractual rights to receive the cash flow. The transferred exposures were impaired at the date of transfer and the contractual maturity expired before the transfer date. According to the selling agreement the Bank should reimburse the buyer an amount of maximum 20.1 million if the latter identifies loans for which the recovery is not possible. The period during which the buyer can claim the indemnities for irrecoverable claims is 3 years from the date of the transfer of receivables. During 2018 the Bank has utilized 5 million and reversed 14.1 million, and the remaining estimated provision amounts to 0.9 million as at 31 December 2019 (unchanged compared to 31 December 2018).

The movement in other provisions is as follows:

Group	**TOTAL**
Carrying value as of December 31,2017	**79,469**
Additional expenses	5,003
Reversals of provisions	(27,293)
Usage	(18,387)
Carrying value as of December 31,2018	**38,793**
Additional expenses	23,632
Reversals of provisions	(7,408)
Usage	(3,011)
Carrying value as of December 31, 2019	**52,005**

Bank	
Carrying value as of December 31,2017	**77,591**
Additional expenses	4,799
Reversals of provisions	(26,750)
Usage	(18,386)
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**

:

(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 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**

During 2019 the Bank has revised the methodology for the computation of EAD through the development of an internal model for CCF.

(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 2018 (under IFRS 9)	697	1,533	3,027	**5,258**
New commitments originated or purchased	783	579	251	**1,613**
Commitments derecognised or transferred into assets	(251)	(964)	(649)	**(1,864)**
Net provision movement not resulting from changes in classification	285	74	50	**409**
Movements due to change in classification	(15)	65	175	**225**
Other adjustments	0	0	1	**1**
Provision as at 31 December 2018	**1,499**	**1,287**	**2,852**	**5,639**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2018 (under IFRS 9)	20,262	123,785	132,232	**276,279**
New commitments originated or purchased	12,025	5,592	60	**17,677**
Commitments derecognised or transferred into assets	(9,440)	(8,825)	(58,727)	**(76,991)**
Net provision movement not resulting from changes in classification	16,896	(28,258)	1,698	**(9,664)**
Movements due to change in classification	(626)	20,378	97,596	**117,348**
Other adjustments	24	104	14,252	**14,379**
Provision as at 31 December 2018	**39,141**	**112,777**	**187,112**	**339,030**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2018 (under IFRS 9)	20,960	125,319	135,259	**281,537**
New commitments originated or purchased	12,808	6,171	311	**19,291**
Commitments derecognised or transferred into assets	(9,691)	(9,788)	(59,376)	**(78,855)**
Net provision movement not resulting from changes in classification	17,180	(28,184)	1,749	**(9,255)**
Movements due to change in classification	(640)	20,443	97,771	**117,573**
Other adjustments	24	104	14,253	**14,380**
Provision as at 31 December 2018	**40,641**	**114,064**	**189,964**	**344,669**

(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 2018 (under IFRS 9)	686	1,533	3,027	**5,246**
New commitments originated or purchased	775	579	251	**1,605**
Commitments derecognised or transferred into assets	(247)	(964)	(649)	**(1,860)**
Net provision movement not resulting from changes in classification	285	74	50	**409**
Movements due to change in classification	(15)	65	175	**225**
Other adjustments	0	0	1	**1**
Provision as at 31 December 2018	**1,484**	**1,287**	**2,852**	**5,624**

	Non-Retail			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2018 (under IFRS 9)	20,143	123,771	159,801	**303,715**
New commitments originated or purchased	11,941	5,529	60	**17,530**
Commitments derecognised or transferred into assets	(9,324)	(8,575)	(58,727)	**(76,625)**
Net provision movement not resulting from changes in classification	16,893	(28,362)	1,698	**(9,771)**
Movements due to change in classification	(599)	20,411	97,596	**117,408**
Other adjustments	9	120	573	**702**
Provision as at 31 December 2018	**39,064**	**112,894**	**201,001**	**352,959**

	Total			
	Stage 1	Stage 2	Stage 3	**Total**
Provision as at 1 st January 2018 (under IFRS 9)	20,829	125,305	162,828	**308,961**
New commitments originated or purchased	12,716	6,108	311	**19,135**
Commitments derecognised or transferred into assets	(9,571)	(9,538)	(59,376)	**(78,485)**
Net provision movement not resulting from changes in classification	17,178	(28,289)	1,749	**(9,362)**
Movements due to change in classification	(613)	20,476	97,771	**117,633**
Other adjustments	9	120	574	**703**
Provision as at 31 December 2018	**40,548**	**114,182**	**203,854**	**358,583**

(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 2019, the movements in service cost, benefits paid from defined benefit obligation and changes in financial assumptions resulted in a change of obligation carrying value: 57,584 as of December 31, 2019 as compared to 49,281 as of December 31, 2018.

Movement in defined benefits obligations

	December 31, 2019	December 31, 2018
Opening defined benefit obligation	**49,281**	**78,480**
Total service cost	3,712	3,489
Benefits paid	(790)	(823)
Interest cost on benefit obligation	778	1,253
Actuarial (gains) / losses arising from changes in demographic assumptions	48	32
Actuarial (gains) / losses arising from changes in financial assumptions	4,556	(33,148)
Closing defined benefit obligation	**57,584**	**49,281**

Main actuarial assumptions

	December 31, 2019	December 31, 2018
Discount rate	0.86%	1.60%
Long term inflation rate	1.30%	1.46%
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 6,81% meaning 53,665.
- If the discount rate used were 0.5% lower, then the defined benefit obligation would be higher by about 7,51% meaning 61,908.
- If the salary increase rate used were 0.5% higher, then the defined benefit obligation would be higher by about 7,43% meaning 61,864.

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 (2018: 696,901). Included in the share capital there is an amount of 1,818,721 (2018: 1,818,721) representing hyperinflation restatement surplus.

Share capital as of December 31, 2019 represents 696,901,518 (2018: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2018: RON 1). During 2019 and 2018, the Bank did not buy back any of its own shares.

24. Interest and similar income

	Group		Bank	
	2019	2018	2019	2018
Interest on loans	1,857,616	1,750,879	1,705,281	1,613,547
Interest on deposit with banks	53,902	39,153	53,216	38,449
Interest on financial assets at FVOCI	411,968	358,278	411,968	358,278
Interest from hedging instruments	14,048	10,184	14,048	10,184
Total	**2,337,534**	**2,158,494**	**2,184,513**	**2,020,458**

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 83,694 for Group and 61,286 for Bank (2018: 95,950 for Group and 78,121 for Bank).

25. Interest and similar expense

	Group		Bank	
	2019	2018	2019	2018
Interest on term deposits	95,401	110,680	96,032	111,538
Interest on demand deposits	58,485	39,280	59,208	39,382
Interest on borrowings	27,339	19,714	22	206
Interest expense on lease liabilities	5,947	-	5,738	-
Total	**187,172**	**169,675**	**161,000**	**151,126**

26. Fees and commissions, net

	Group		Bank	
	2019	2018	2019	2018
Services	670,377	655,770	659,569	646,003
Management fees	112,313	114,042	112,313	114,042
Packages	49,943	49,884	49,943	49,884
Transfers	108,504	108,138	108,504	108,138
OTC withdrawal	70,455	62,322	70,455	62,322
Cards	231,860	222,581	231,860	222,581
Brokerage and custody	36,944	33,134	36,944	33,134
Other	60,358	65,670	49,552	55,904
Loan activity	104,444	107,878	76,842	79,799
Off balance sheet	30,792	33,499	30,792	33,499
Total	**805,613**	**797,147**	**767,205**	**759,301**

(Amounts in thousands RON)

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

	Group		Bank	
	2019	**2018**	**2019**	**2018**
FX position revaluation	(11,773)	(37,016)	(11,773)	(37,016)
FX Spot	186,373	211,426	186,387	210,334
Gain on instruments held for trading	42,494	18,520	42,494	18,520
Derivative financial instruments	57,300	96,999	57,300	96,998
Gain / (loss) on interest rate derivatives	16,273	9,574	16,273	9,573
Gain/ (loss) on currency and interest swap	27,867	27,891	27,867	27,891
Gain/ (loss) on forward foreign exchange contracts	7,150	56,112	7,150	56,112
Gain on currency options	6,366	3,817	6,366	3,817
Gain / (loss) on hedging	(755)	(1,060)	(755)	(1,060)
Other	399	666	399	666
Gain/ (loss) on derivative, other financial instruments held for trading and foreign exchange	**274,394**	**289,929**	**274,408**	**288,837**

28. Other income

	Group		Bank	
	2019	**2018**	**2019**	**2018**
Dividend income	1,140	1,335	31,942	34,244
Gain from disposal of investments	6,245	-	43,344	-
Provision for litigations	(12,384)	590	(12,276)	590
Other income/(expenses)	3,382	1,436	(1,781)	(3,005)
Total income / (expense) from banking activity	**(1,617)**	**3,361**	**61,229**	**31,829**

For the Bank, other income includes dividends from subsidiaries in amount of 30,806 as of December 31, 2019 (December 31, 2018: 32,913), 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 1,349 (2018: 1,849).

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 2019 the expense related to the Deposit Guarantee Fund amounts to 46,930 (2018: 14,487).

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 2019 the expense related to the Bank Resolution Fund was 25,348 (2018: 20,694).

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	
	2019	**2018**	**2019**	**2018**
Salaries	722,696	675,172	674,068	631,167
Social security	17,406	17,190	16,048	15,652
Bonuses	56,868	52,528	54,584	49,927
Post-employment benefits	4,491	4,742	4,491	4,742
Other	24,738	18,197	21,069	14,213
Total	**826,199**	**767,828**	**770,260**	**715,700**

In 2019, the expense related to the Bank defined benefit plan contribution was 4,563 (December 31, 2018: 4,665).

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

	Group		Bank	
	2019	**2018**	**2019**	**2018**
Depreciation and impairment	189,570	95,757	183,014	94,749
Amortisation	39,437	38,269	38,162	36,634
Total	**229,007**	**134,026**	**221,176**	**131,384**

Starting 1st January 2019, depreciation expenses include depreciation of ROU assets amounting 92,640 at for the Group and 87,089 for the Bank. The difference as at December 31, 2019 between the total depreciation charge presented in Note 14 and the amount presented above represents depreciation of investment property in total amount of 1,323 (December 31, 2018: 1,380).

(Amounts in thousands RON)

32. Other operating expense

	Group		Bank	
	2019	**2018**	**2019**	**2018**
Administrative expenses	445,357	433,560	422,621	404,902
Publicity and sponsorships	35,335	41,658	34,122	40,727
Other expenses	69,428	77,568	59,992	71,901
Total	**550,120**	**552,785**	**516,735**	**517,530**

Administrative expenses include for the Bank expenses related to short-term leases of 8,742 and to leases of low-value assets of 3,537 (operational leasing expenses as of December 31, 2018: 110,760), tax on assets of 75,390 (2018:0), maintenance expenses and various utilities such as energy and telecommunication. This line also includes audit fees amounting 2,853 for Group (of which statutory audit in amount of 2,188, assurance services in amount of 625 and other non-assurance services in amount of 40) and 2,045 for Bank (statutory audit in amount of 1,380, assurance services in amount of 625 and other non-assurance services in amount of 40).

33. Cost of risk

	Group		Bank	
	2019	**2018**	**2019**	**2018**
Net impairment allowance for loans	37,610	(112,418)	33,457	(119,526)
Net impairment allowance for sundry debtors	39,771	42,876	40,178	45,077
Net impairment allowance for credit risk and charges	-	(19,644)	-	(19,128)
Net impairment allowance for finance lease	754	(2,311)	-	-
Income from recoveries of derecognized receivables & sales of bad debts	(363,262)	(214,562)	(352,717)	(214,562)
Write-offs	56,080	29,680	29,899	15,705
Financial guarantee and loan contracts provisions	26,522	48,751	26,470	48,918
Net impairment allowance for debt securities	(1,148)	(2,759)	(1,148)	(2,759)
Total	**(203,673)**	**(230,388)**	**(223,861)**	**(246,276)**

The net cost of risk registered a release of 204 million (for the Group) and 224 million (for the Bank) mainly due to strong recovery performance and limited new defaults.

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 95,449 (December 31, 2018: 105,461) and loans to banks, with more than 90 days maturity from the date of acquisition in amount of 36,653 (December 31, 2018: 54,975) for the Bank and also the ones amounting 54,494 (December 31, 2018: 73,398) 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, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Cash in hand	2,077,373	2,236,045	2,077,340	2,236,018
Current accounts and deposits with banks	3,259,680	3,137,485	3,259,678	3,137,479
Total	**5,337,054**	**5,373,530**	**5,337,018**	**5,373,497**

(Amounts in thousands RON)

34. Cash and cash equivalents details (continued)

Impairment and provisions adjustment for non-cash items:

	Group		Bank	
	2019	**2018**	**2019**	**2018**
Net impairment allowance for loans	37,610	(112,418)	33,457	(119,526)
Net impairment allowance for sundry debtors	39,771	42,876	40,178	45,077
Net impairment allowance for financial leases	754	(2,311)	-	-
Write-offs	56,080	29,680	29,899	15,705
Financial guarantee contracts	26,522	48,751	26,470	48,918
Net movement in other provisions	13,213	(40,677)	9,821	(40,337)
Net impairment allowance for debt securities	(1,148)	(2,759)	(1,148)	(2,759)
Total	**172,802**	**(36,859)**	**138,677**	**(52,923)**

35. Other commitments

	Group		Bank	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Tangible non-current assets	2,700	3,221	2,700	3,221
Intangible non-current assets	35,999	26,809	35,999	26,809
Operational leasing, rents and other services	16,314	545,111	16,314	529,175
Total	**55,013**	**575,142**	**55,013**	**559,205**

The operational leasing, rents and other services commitments evolution versus prior period is the effect IFRS 16 adoption (please see Note 14 and Note 22).

As at December 31, 2019 and December 31, 2018 the future minimum lease payments regarding operating leases and rents concluded by the Group and Bank as a lessee are:

	Group		Bank	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Less than one year	6,196	100,364	6,196	94,932
Between one and five years	7,150	331,257	7,150	320,752
More than five years	320	111,331	320	111,331
Total	**13,666**	**542,952**	**13,666**	**527,015**

(Amounts in thousands RON)

36. Related parties

The Group entered into related party transactions with its parent, other SG entities, subsidiaries, associates 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							
	2019				2018			
	Parent	Other related parties	Associates	Key management of the institution	Parent	Other related parties	Associates	Key management of the institution
Assets	**171,390**	**53,030**	**19,797**	**1,154**	**195,897**	**44,267**	**8,420**	**1,823**
Nostro accounts	17,743	34,457	-	-	12,760	33,110	218	-
Deposits	33,386	-	-	-	18,423	-	-	-
Loans	36,653	18,402	7,083	1,152	54,975	11,037	3,872	1,823
Derivative financial instruments	76,974	-	-	1	103,509	-	-	-
Other assets	6,635	172	12,714	-	6,229	120	4,330	-
Liabilities	**1,649,535**	**79,930**	**159,883**	**7,929**	**1,276,459**	**28,622**	**144,816**	**11,749**
Loro accounts	15,338	3,019	-	-	41	15,439	1,477	-
Deposits	86,531	76,658	148,625	7,929	111,967	12,770	142,740	11,749
Borrowings	1,442,612	-	-	-	1,052,415	-	-	-
Derivative financial instruments	49,823	-	-	-	65,192	-	-	-
Other liabilities	55,230	253	11,258	-	46,845	412	599	-
Commitments	**8,991,486**	**38,730**	**2,021**	**72**	**9,283,406**	**57,632**	**14,701**	**273**
Total commitments granted	110,294	20,604	2,021	72	123,114	7,516	2,012	273
Total commitments received	1,003,758	18,126	-	-	979,957	50,117	12,688	-
Notional amount of foreign exchange transactions	4,535,538	-	-	-	4,007,994	-	-	-
Notional amount of interest rate derivatives	3,341,896	-	-	-	4,172,342	-	-	-
Income statement	**18,894**	**(920)**	**33,718**	**8**	**11,116**	**(3,800)**	**20,912**	**31**
Interest and commision revenues	18,748	3,397	24,606	37	17,273	2,906	14,605	58
Interest and commission expense	(30,294)	(1,117)	(1,213)	(27)	(21,986)	(2,332)	(633)	(26)
Net gain/(loss) on interest rate derivatives	10,379	-	-	(1)	(30,693)	-	-	(0)
Net gain /(loss) on foreign exchange derivatives	48,048	-	-	-	91,537	(40)	-	-
Dividend income	-	-	9,146	-	-	7	17,970	-
Other income	-	(123)	816	-	4,593	377	16,658	-
Other expenses	(27,987)	(3,076)	363	-	(49,609)	(4,718)	(27,690)	-

(Amounts in thousands RON)

36. Related parties (continued)

	Bank									
	2019					2018				
	Parent	Other related parties	Subsidiaries	Associates	Key management of the institution	Parent	Other related parties	Subsidiaries	Associates	Key management of the institution
Assets	**138,004**	**53,030**	**36,197**	**15,901**	**1,154**	**177,474**	**44,267**	**42,979**	**4,291**	**1,823**
Nostro accounts	17,743	34,457	-	-	-	12,760	33,110	-	218	-
Loans	36,653	18,402	29,778	7,083	1,152	54,975	11,037	41,518	3,872	1,823
Derivative financial instruments	76,974	-	37	-	1	103,509	-	56	-	-
Other assets	6,635	172	6,382	8,818	-	6,229	120	1,405	201	-
Liabilities	**205,823**	**79,914**	**141,139**	**156,547**	**7,929**	**222,853**	**28,622**	**98,806**	**144,801**	**11,749**
Loro accounts	15,338	3,019	-	-	-	41	15,439	-	1,477	-
Deposits	86,531	76,658	140,906	148,625	7,929	111,967	12,770	98,569	142,740	11,749
Lease payable	-	-	232	-	-	-	-	227	-	-
Derivative financial instruments	49,823	-	-	-	-	65,192	-	-	-	-
Other liabilities	54,131	237	-	7,922	-	45,653	412	10	584	-
Commitments	**8,991,486**	**38,730**	**51,216**	**2,021**	**72**	**9,283,407**	**57,632**	**64,067**	**14,700**	**273**
Total commitments granted	110,294	20,604	29,709	2,021	72	123,114	7,516	40,747	2,012	273
Total commitments received	1,003,758	18,126	-	-	-	979,957	50,117	-	12,688	-
Notional amount of foreign exchange transactions	4,535,538	-	21,507	-	-	4,007,994	-	23,320	-	-
Notional amount of interest rate derivatives	3,341,896	-	-	-	-	4,172,342	-	-	-	-
Income statement	**43,167**	**(1,863)**	**51,003**	**22,851**	**8**	**28,823**	**(4,625)**	**48,802**	**8,640**	**31**
Interest and commision revenues	18,063	2,219	17,711	11,951	37	16,570	1,884	14,776	455	58
Interest and commission expense	(6,023)	(1,117)	(1,354)	(1,210)	(27)	(4,559)	(2,332)	(1,132)	(633)	(26)
Net gain/(loss) on interest rate derivatives	10,379	-	-	-	(1)	(30,693)	-	-	-	(0)
Net gain /(loss) on foreign exchange derivatives	48,048	-	7	-	-	91,537	(40)	(2)	-	-
Dividend income	-	-	30,806	9,146	-	-	7	32,913	17,970	-
Other income	-	(123)	1,500	743	-	4,593	377	2,541	16,581	-
Other expenses	(27,300)	(2,842)	2,333	2,222	-	(48,625)	(4,521)	(295)	(25,733)	-

(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 49,892 at December 31, 2019 (December 31, 2018: 53,786).

As of December 31, 2019 the Board of Directors and Managing Committee members own 301,730 shares (2018: 304,530).

Key management personnel benefits for 2019 and 2018:

	Group		Bank	
	2019	**2018**	**2019**	**2018**
Short-term benefits	14,703	14,812	11,008	10,800
Long-term benefits	4,127	4,230	3,762	3,861

(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 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 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	-	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	-	0	1,171	-	-	1,171	-	-	2,336	-	2,336	-	-
BRD Actiuni	-	0	10,262	-	-	10,262	-	33	11,588	-	11,621	-	-
BRD Diverso	-	35	7,233	-	-	7,268	-	52	12,925	-	12,976	-	-

Interest in unconsolidated structured entities and size of structured entities in 2018:

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	16,457	-	-	27,746	-	-	-	16,457	1,468,286
BRD Obligatiuni	3,851	-	-	2,175	-	-	-	3,851	84,879
BRD Index	978	-	-	677	-	-	-	978	8,698
BRD Actiuni	7,879	-	-	3,680	-	-	-	7,879	54,356
BRD Diverso	6,440	-	-	10,035	-	-	-	6,440	73,651

(Amounts in thousands RON)

37. Interest in unconsolidated structured entities (continued)

Breakdown of interests in unconsolidated structured entities in 2018:

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	-	281	16,176	-	-	16,457	-	5,310	22,436	-	27,746	-	-
BRD Obligatiuni	-	150	3,701	-	-	3,851	-	348	1,827	-	2,175	-	-
BRD Index	-	3	976	-	-	978	-	5	672	-	677	-	-
BRD Actiuni	-	22	7,857	-	-	7,879	-	24	3,656	-	3,680	-	-
BRD Diverso	-	37	6,403	-	-	6,440	-	97	9,938	-	10,035	-	-

(Amounts in thousands RON)

38. Contingencies

As of December 31, 2019 the Bank is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 899,484 (December 31, 2018: 841,501). 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 19,084 (December 31, 2018: 7,536) and the Group 24,014 (December 31, 2018: 9,075) 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, 2019 and December 31, 2018 there were no dilutive equity instruments issued by the Group and Bank.

	2019	2018	2019	2018
Ordinary shares on market	696,901,518	696,901,518	696,901,518	696,901,518
Earnings per share (in RON)	2.1412	2.2323	2.1933	2.2184

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 defence 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, 2019	December 31, 2018
ASSETS		
Due from Central Bank	4,765,273	3,785,491
Due from banks	3,409,594	3,316,344
Derivatives and other financial instruments held for trading	1,244,032	2,252,463
Loans, gross	31,883,889	31,576,437
Impairment allowance for loans	(1,591,020)	(1,973,161)
Loans and advances to customers	30,292,869	29,603,276
Finance lease receivables	992,665	761,012
Financial assets at fair value through profit and loss	108,054	82,476
Financial assets at fair value through other comprehensive income	12,958,113	12,059,561
Other assets	151,609	131,911
Total assets	**53,922,209**	**51,992,534**
Letters of guarantee granted	5,192,938	5,308,124
Financing commitments granted	3,650,105	3,693,281
Total commitments granted	**8,843,044**	**9,001,404**
Total credit risk exposure	**62,765,253**	**60,993,938**

	Bank	
	December 31, 2019	December 31, 2018
ASSETS		
Due from Central Bank	4,765,273	3,785,491
Due from banks	3,391,780	3,297,915
Derivatives and other financial instruments held for trading	1,244,069	2,252,519
Loans, gross	30,955,516	30,768,470
Impairment allowance for loans	(1,488,736)	(1,875,127)
Loans and advances to customers	29,466,780	28,893,343
Financial assets at fair value through profit and loss	87,375	62,598
Financial assets at fair value through other comprehensive income	12,958,113	12,059,561
Other assets	144,420	119,157
Total assets	**52,057,810**	**50,470,584**
Letters of guarantee granted	5,207,647	5,323,714
Financing commitments granted	3,187,034	3,267,552
Total commitments granted	**8,394,681**	**8,591,265**
Total credit risk exposure	**60,452,492**	**59,061,849**

(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 (74%) and stress scenario (16%). 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 2019 because these scenarios have produced effects during the year and have been used in the computation of ECL as at 31st of December 2019.

December, 31 2019

Key drivers	ECL Scenario	2019	2020	2021	2022
GDP growth [%]					
	Baseline/ Central	2.4	1.9	1.8	2.3
	Stress	0	0.5	0.6	1.5
Unemployment rate [%]					
	Baseline/ Central	3.9	4.2	4.6	5.0
	Stress	5.6	6.4	7.2	7.3
Exchange rate RON/EUR [RON]	Baseline/ Central	4.8	4.9	4.8	4.8
	Stress	5.5	5.3	5.3	5.3

(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**	
	2019	**2018**	**2019**	**2018**
Internal rating grade				
Very good grade	3,305,521	3,303,465	3,287,707	3,285,036
Good grade	101,166	7,009	101,166	7,009
Standard grade	51	218	51	218
Not rated internally	3,108	5,738	3,108	5,738
Total	**3,409,846**	**3,316,430**	**3,392,032**	**3,298,001**
Less allowance	(252)	(87)	(252)	(87)
Net Carying amount	**3,409,594**	**3,316,344**	**3,391,780**	**3,297,915**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Sector analysis of loans granted and impairment allowance

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)

Sector analysis of loans granted and impairment allowance (continued)

Group	December 31, 2018									
%	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	66.3%	65.1%	84.2%	68.7%	54.0%	49.0%	27.8%	5.2%	69.6%	53.9%
Agriculture, forestry and fishing	1.7%	8.6%	1.1%	1.0%	3.4%	3.2%	4.4%	0.4%	1.6%	3.4%
Mining and quarrying	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Manufacturing	5.8%	4.9%	3.0%	5.7%	7.8%	7.8%	11.1%	6.9%	5.3%	7.0%
Electricity, gas, steam and air conditioning supply	2.2%	1.5%	2.5%	9.7%	1.6%	2.0%	0.0%	0.0%	2.2%	3.4%
Water supply	0.4%	0.6%	0.3%	0.5%	0.2%	0.2%	0.2%	0.0%	0.4%	0.3%
Construction	0.5%	0.5%	1.5%	3.3%	12.3%	15.2%	1.6%	1.6%	1.4%	10.7%
Wholesale and retail trade	6.1%	6.3%	3.1%	3.0%	9.6%	11.3%	7.6%	11.1%	5.6%	9.0%
Transport and storage	1.2%	1.0%	0.6%	0.6%	0.6%	0.7%	0.0%	0.0%	1.0%	0.7%
Accommodation and food service activities	0.7%	0.7%	0.1%	0.2%	4.0%	4.0%	0.2%	0.0%	0.7%	2.7%
Information and communication	3.3%	2.3%	0.1%	0.1%	1.1%	1.2%	0.0%	0.0%	2.5%	1.1%
Financial institutions	5.3%	2.7%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	3.8%	0.3%
Real estate activities	1.0%	1.3%	0.1%	0.1%	1.7%	1.8%	43.1%	71.1%	1.0%	3.0%
Professional, scientific and technical activities	0.5%	0.7%	0.3%	0.4%	1.0%	0.8%	0.0%	0.0%	0.5%	0.7%
Administrative and support service activities	0.1%	0.1%	0.1%	0.0%	0.5%	0.6%	3.8%	3.6%	0.1%	0.5%
Public administration and defence, compulsory social security	4.2%	3.1%	2.0%	4.7%	1.3%	1.1%	0.0%	0.0%	3.5%	2.0%
Education	0.0%	0.0%	0.1%	0.2%	0.3%	0.4%	0.0%	0.0%	0.0%	0.3%
Human health services and social work activities	0.6%	0.6%	0.1%	0.3%	0.4%	0.4%	0.0%	0.0%	0.5%	0.4%
Arts, entertainment and recreation	0.0%	0.0%	0.1%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%	0.2%
Other services	0.0%	0.0%	0.5%	1.4%	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)

Sector analysis of loans granted and impairment allowance (continued)

Bank	December 31, 2018									
%	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	65.8%	62.4%	84.5%	68.4%	51.9%	46.2%	27.8%	5.2%	69.3%	51.7%
Agriculture, forestry and fishing	1.5%	9.3%	0.9%	0.8%	3.6%	3.4%	4.4%	0.4%	1.5%	3.5%
Mining and quarrying	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Manufacturing	5.9%	5.4%	3.0%	5.8%	8.2%	8.3%	11.1%	6.9%	5.4%	7.4%
Electricity, gas, steam and air conditioning supply	2.2%	1.6%	2.5%	10.0%	1.6%	2.2%	0.0%	0.0%	2.3%	3.6%
Water supply	0.4%	0.6%	0.3%	0.5%	0.2%	0.2%	0.2%	0.0%	0.4%	0.3%
Construction	0.5%	0.5%	1.5%	3.4%	12.9%	16.1%	1.6%	1.6%	1.4%	11.3%
Wholesale and retail trade	6.3%	6.9%	3.1%	3.0%	10.1%	11.9%	7.6%	11.1%	5.8%	9.5%
Transport and storage	0.9%	0.8%	0.4%	0.3%	0.6%	0.6%	0.0%	0.0%	0.7%	0.6%
Accommodation and food service activities	0.7%	0.7%	0.1%	0.2%	4.2%	4.2%	0.2%	0.0%	0.8%	2.8%
Information and communication	3.5%	2.5%	0.1%	0.1%	1.1%	1.3%	0.0%	0.0%	2.5%	1.1%
Financial institutions	5.6%	3.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	4.1%	0.4%
Real estate activities	1.1%	1.4%	0.1%	0.1%	1.8%	1.9%	43.1%	71.1%	1.0%	3.1%
Professional, scientific and technical activities	0.5%	0.7%	0.3%	0.4%	1.0%	0.9%	0.0%	0.0%	0.5%	0.7%
Administrative and support service activities	0.1%	0.1%	0.1%	0.0%	0.5%	0.6%	3.8%	3.6%	0.1%	0.5%
Public administration and defence, compulsory social security	4.3%	3.4%	2.1%	4.8%	1.4%	1.2%	0.0%	0.0%	3.6%	2.2%
Education	0.0%	0.0%	0.1%	0.2%	0.3%	0.4%	0.0%	0.0%	0.0%	0.3%
Human health services and social work activities	0.6%	0.7%	0.1%	0.3%	0.4%	0.4%	0.0%	0.0%	0.5%	0.4%
Arts, entertainment and recreation	0.0%	0.0%	0.1%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%	0.2%
Other services	0.0%	0.0%	0.5%	1.5%	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, 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 Stage 3				
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**

December 31, 2018

	Over - collateralized exposure	Collaterals & Guarantees	Under- collateralized exposure	Collaterals & Guarantees
Non-retail lending	1,499,583	3,367,404	7,458,143	1,458,744
Retail lending	12,775,997	19,367,905	9,842,714	1,284,030
Small business lending	286,448	778,705	345,553	31,398
Consumer lending	21,680	48,076	7,983,349	1,413
Residential mortgages	12,467,869	18,541,124	1,513,812	1,251,219
Total	**14,275,580**	**22,735,309**	**17,300,858**	**2,742,775**
out of which Stage 3				
Non-retail lending	425,186	958,909	359,215	198,432
Retail lending	351,328	700,006	650,908	114,353
Small business lending	41,191	130,110	22,923	6,252
Consumer lending	612	1,183	464,366	249
Residential mortgages	309,524	568,712	163,619	107,852
Total	**776,513**	**1,658,915**	**1,010,123**	**312,785**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Analysis of collateral coverage – Loans and advances (continued)

Bank

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 Stage 3				
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**

December 31, 2018

	Over - collateralized exposure	Collaterals & Guarantees	Under-collateralized exposure	Collaterals & Guarantees
Non-retail lending	1,382,746	3,189,625	7,499,257	1,458,744
Retail lending	12,714,177	19,281,015	9,172,289	1,284,030
Small business lending	224,628	691,815	345,553	31,398
Consumer lending	21,680	48,076	7,312,924	1,413
Residential mortgages	12,467,869	18,541,124	1,513,812	1,251,219
Total	**14,096,923**	**22,470,640**	**16,671,546**	**2,742,775**
out of which Stage 3				
Non-retail lending	425,186	958,909	357,832	198,432
Retail lending	351,328	700,006	572,376	114,353
Small business lending	41,191	130,110	22,923	6,252
Consumer lending	612	1,183	385,835	249
Residential mortgages	309,524	568,712	163,619	107,852
Total	**776,513**	**1,658,915**	**930,208**	**312,785**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Analysis of collateral coverage for finance lease receivables

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**

December 31, 2018

	Over - collateralized exposure	Collaterals & Guarantees	Under-collateralized exposure	Collaterals & Guarantees
Non-retail lending	522,463	884,186	103,656	69,219
Retail lending	193,963	317,442	18,166	2,732
Small business lending (retail) & residential	192,722	315,371	17,642	2,351
Consumer lending	1,241	2,071	524	381
Total	**716,426**	**1,201,628**	**121,823**	**71,951**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Rating analysis of loans

Group

Retail lending	December 31, 2019					December 31, 2018
	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Gross carrying amount						
Internal rating grade						
Very good grade	13,335,446	751,272	-	-	14,086,718	13,114,444
Good grade	2,416,141	1,854,944	-	-	4,271,085	4,592,712
Standard grade	916,937	1,506,657	-	-	2,423,594	2,483,909
Sub-standard grade	-	703,916	-	12,449	716,365	746,930
Non- performing	-	-	738,339	12,044	750,383	1,002,440
(out of which) Individual assessment	-	-	66,838	-	66,838	94,300
Not rated internally	738,524	25,621	81,282	-	845,427	678,276
Total	17,407,048	4,842,410	819,620	24,493	23,093,572	22,618,711
Less allowance	(177,032)	(331,521)	(573,551)	(3,391)	(1,085,494)	(1,122,354)
Net Carying amount	**17,230,016**	**4,510,890**	**246,070**	**21,102**	**22,008,078**	**21,496,358**

Non-Retail lending	December 31, 2019					December 31, 2018
	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Gross carrying amount						
Internal rating grade						
Very good grade	440,463	-	-	-	440,463	443,128
Good grade	4,274,977	37,417	-	-	4,312,394	4,190,750
Standard grade	2,894,789	181,908	-	-	3,076,697	2,849,715
Sub-standard grade	-	492,847	-	-	492,847	690,188
Non- performing	-	-	427,369	40,547	467,916	778,480
(out of which) Individual assessment	-	-	355,176	39,999	395,175	636,262
Not rated internally	-	-	-	-	-	5,464
Total	7,610,229	712,172	427,369	40,547	8,790,317	8,957,726
Less allowance	(36,036)	(64,211)	(366,292)	(38,987)	(505,526)	(850,807)
Net Carying amount	**7,574,193**	**647,961**	**61,077**	**1,560**	**8,284,791**	**8,106,919**

Total	December 31, 2019					December 31, 2018
	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Gross carrying amount						
Internal rating grade						
Very good grade	13,775,909	751,272	-	-	14,527,181	13,557,572
Good grade	6,691,118	1,892,361	-	-	8,583,479	8,783,462
Standard grade	3,811,726	1,688,566	-	-	5,500,291	5,333,625
Sub-standard grade	-	1,196,763	-	12,449	1,209,212	1,437,118
Non- performing	-	-	1,165,708	52,591	1,218,299	1,780,921
(out of which) Individual assessment	-	-	422,013	39,999	462,012	730,563
Not rated internally	738,524	25,621	81,282	-	845,427	683,740
Total	25,017,277	5,554,582	1,246,989	65,040	31,883,889	31,576,437
Less allowance	(213,068)	(395,732)	(939,843)	(42,378)	(1,591,020)	(1,973,161)
Net Carying amount	**24,804,209**	**5,158,850**	**307,147**	**22,663**	**30,292,869**	**29,603,276**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Rating analysis of loans

Bank

Retail lending	December 31, 2019					December 31, 2018
	Stage 1	Stage 2	Stage 3	POCI	Total	**Total**
Gross carrying amount						
Internal rating grade						
Very good grade	13,335,446	751,272	-	-	14,086,718	13,114,444
Good grade	2,416,141	1,854,944	-	-	4,271,085	4,592,712
Standard grade	916,937	1,506,657	-	-	2,423,594	2,483,909
Sub-standard grade	-	703,916	-	12,449	716,365	746,930
Non- performing	-	-	738,339	12,044	750,383	923,909
(out of which) Individual assessment	-	-	66,838	-	66,838	94,300
Not rated internally	23,473	-	-	-	23,473	24,563
Total	16,691,997	4,816,789	738,339	24,493	22,271,617	21,886,467
Less allowance	(157,955)	(322,838)	(503,580)	(3,391)	(987,765)	(1,027,898)
Net Carying amount	**16,534,041**	**4,493,951**	**234,759**	**21,102**	**21,283,853**	**20,858,569**

Non-Retail lending	December 31, 2019					December 31, 2018
	Stage 1	Stage 2	Stage 3	POCI	Total	**Total**
Gross carrying amount						
Internal rating grade						
Very good grade	440,463	-	-	-	440,463	443,128
Good grade	4,289,933	37,314	-	-	4,327,247	4,213,761
Standard grade	2,818,597	152,011	-	-	2,970,608	2,761,644
Sub-standard grade	-	479,326	-	-	479,326	680,909
Non- performing	-	-	425,707	40,547	466,255	777,097
(out of which) Individual assessment	-	-	355,176	39,999	395,175	636,262
Not rated internally	-	-	-	-	-	5,464
Total	7,548,993	668,651	425,707	40,547	8,683,899	8,882,003
Less allowance	(35,587)	(61,187)	(365,211)	(38,987)	(500,972)	(847,230)
Net Carying amount	**7,513,406**	**607,464**	**60,497**	**1,560**	**8,182,927**	**8,034,773**

Total	December 31, 2019					December 31, 2018
	Stage 1	Stage 2	Stage 3	POCI	Total	**Total**
Gross carrying amount						
Internal rating grade						
Very good grade	13,775,909	751,272	-	-	14,527,181	13,557,572
Good grade	6,706,074	1,892,258	-	-	8,598,333	8,806,473
Standard grade	3,735,533	1,658,668	-	-	5,394,202	5,245,554
Sub-standard grade	-	1,183,242	-	12,449	1,195,691	1,427,839
Non- performing	-	-	1,164,046	52,591	1,216,637	1,701,005
(out of which) Individual assessment	-	-	422,013	39,999	462,012	730,563
Not rated internally	23,473	-	-	-	23,473	30,027
Total	24,240,990	5,485,440	1,164,046	65,040	30,955,516	30,768,470
Less allowance	(193,543)	(384,025)	(868,791)	(42,378)	(1,488,736)	(1,875,127)
Net Carying amount	**24,047,447**	**5,101,415**	**295,255**	**22,663**	**29,466,780**	**28,893,342**

(Amounts in thousands RON)

40. Risk management (continued)

40.1 Credit risk (continued)

Rating analysis of Finance Lease receivables:

	Retail				
	December 31, 2019				**December 31, 2018**
	Stage 1	Stage 2	Stage 3	Total	**Total**
Gross carrying amount					
Not rated internally	250,474	32,228	17,570	300,272	217,116
Total	250,474	32,228	17,570	300,272	217,116
Less allowance	(934)	(2,030)	(13,836)	(16,800)	(17,637)
Net Carying amount	**249,540**	**30,198**	**3,734**	**283,472**	**199,479**

	Non-Retail				
	December 31, 2019				**December 31, 2018**
	Stage 1	Stage 2	Stage 3	Total	**Total**
Gross carrying amount					
Internal rating grade					
Good grade	149,025	3,413	94	152,531	125,564
Standard grade	402,862	98,735	1,361	502,958	375,897
Sub-standard grade	518	50,895	1,119	52,532	67,156
Non- performing	-	-	45,502	45,502	49,654
Not rated internally	-	8,310	1,817	10,127	2,861
Total	552,405	161,353	49,892	763,650	621,131
Less allowance	(2,702)	(11,436)	(40,319)	(54,456)	(59,598)
Net Carying amount	**549,703**	**149,917**	**9,574**	**709,194**	**561,533**

	Total				
	December 31, 2019				**December 31, 2018**
	Stage 1	Stage 2	Stage 3	Total	**Total**
Gross carrying amount					
Internal rating grade					
Good grade	149,025	3,413	94	152,531	125,564
Standard grade	402,862	98,735	1,361	502,958	375,897
Sub-standard grade	518	50,895	1,119	52,532	67,156
Non- performing	-	-	45,502	45,502	49,654
Not rated internally	250,474	40,538	19,387	310,399	219,976
Total	802,879	193,581	67,462	1,063,922	838,247
Less allowance	(3,636)	(13,465)	(54,155)	(71,256)	(77,235)
Net Carying amount	**799,243**	**180,115**	**13,308**	**992,666**	**761,012**

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, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Letters of guarantee granted	5,192,938	5,308,124	5,207,647	5,323,714
Financing commitments granted	3,650,105	3,693,281	3,187,034	3,267,552
Total commitments granted	**8,843,044**	**9,001,404**	**8,394,681**	**8,591,265**
Letters of guarantee received	14,474,866	13,656,401	14,474,866	13,656,401
Financing commitments received	716,895	699,585	716,895	699,585
Total commitments received	**15,191,761**	**14,355,986**	**15,191,761**	**14,355,986**

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 and comprises 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 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 SG 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 SG 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). 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.

(Amounts in thousands RON)

40. Risk management (continued)

40.2 Market risk (continued)

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

	Begin of year	End of year	Minimum	Average	Maximum
2018	0.09	0.12	0.06	0.21	0.52
2019	0.10	0.22	0.07	0.19	0.38

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
2018	1.19	0.98	0.39	0.93	1.84
2019	0.90	1.41	0.55	1.34	2.26

Stress test assessment

Methodology

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. A range of hypothetical models picturing extreme shocks are daily mixed with various historical scenarios, applied for the entire trading book portfolio of the Bank, the most adverse result being retained and compared with an approved limit, derived from the market risk appetite.

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.

(Amounts in thousands RON)

40. Risk management (continued)

40.2 Market risk (continued)

STRESS TEST ASSESSMENT - KEY NEGATIVE FIGURES (IN MEUR)

	Begin of year	End of year	Minimum	Average	Maximum
2018	2.99	2.60	1.17	3.14	6.40
2019	2.22	3.76	1.96	5.78	12.22

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:

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

2018	**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	3,969	2,504	+5	3,533	2,504
Other	+5	2,217	(409)	+5	1,707	(409)

(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, 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**	**55,853,240**	**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)

	Group				Bank			
	December 31, 2018				December 31, 2018			
ASSETS	**Total**	**RON**	**EUR**	**Other**	**Total**	**RON**	**EUR**	**Other**
Cash in hand	2,236,045	1,923,331	169,256	143,458	2,236,018	1,923,304	169,256	143,458
Due from Central Bank	3,785,491	2,380,963	1,404,528	-	3,785,491	2,380,963	1,404,528	-
Due from banks	3,316,344	169,002	1,815,606	1,331,736	3,297,915	150,573	1,815,606	1,331,736
Derivatives and other financial instruments held for trading	2,252,463	1,220,873	1,010,978	20,611	2,252,519	1,220,929	1,010,978	20,611
Loans and advances to customers	29,603,276	19,983,296	9,432,020	187,959	28,893,343	19,441,830	9,263,553	187,959
Financial lease receivables	761,012	149,184	611,723	105	-	-	-	-
Financial assets at fair value through profit and loss	82,476	41,264	554	40,658	62,598	21,386	554	40,658
Financial assets at fair value through other comprehensive income	12,059,561	9,610,165	2,241,323	208,073	12,059,561	9,610,165	2,241,323	208,073
Investments in associates and subsidiares	84,919	84,919	-	-	129,577	128,727	-	850
Goodwill	50,130	50,130	-	-	50,130	50,130	-	-
Current tax assets	10,312	10,312	-	-	10,312	10,312	-	-
Deferred tax asset	113,480	113,480	-	-	107,392	107,392	-	-
Non current assets and other assets	1,363,859	1,308,892	12,087	42,881	1,204,498	1,150,584	12,086	41,828
Total assets	**55,719,368**	**37,045,811**	**16,698,075**	**1,975,481**	**54,089,354**	**36,196,295**	**15,917,886**	**1,975,173**
LIABILITIES								
Due to banks	297,817	143,649	109,387	44,781	297,817	143,649	109,387	44,781
Due to customers	45,216,995	28,000,013	14,819,624	2,397,357	45,315,556	28,081,363	14,836,821	2,397,372
Debt issued and borrowed funds	1,306,638	524,212	782,426	-	16,582	16,355	227	-
Derivative financial instruments	341,061	263,930	28,178	48,953	341,061	263,930	28,178	48,953
Current tax liability	2,305	2,305	-	-	-	-	-	-
Other liabilities	897,126	655,443	212,473	29,210	790,929	549,246	212,473	29,210
Shareholders' equity	7,657,427	7,657,427	-	-	7,327,409	7,327,409	-	-
Total liabilities and shareholders' equity	**55,719,369**	**37,246,979**	**15,952,088**	**2,520,301**	**54,089,354**	**36,381,952**	**15,187,086**	**2,520,316**
Position		**(201,167)**	**745,987**	**(544,821)**		**(185,657)**	**730,800**	**(545,144)**
Position off BS		77,464	(666,614)	589,150		80,861	(660,151)	579,290
Position total		**(123,702)**	**79,373**	**44,330**		**(104,796)**	**70,649**	**34,147**

(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. The main tool used in managing the interest rate risk in banking book is the gap analysis, along with a measure of the balance sheet sensitivity to yield curve shifts. In accordance with the Group's policy, positions are monitored on a regular basis and appropriate strategies are used to ensure positions 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 income statement and equity.

Group December 31, 2019			Bank December 31, 2019		
Change in interest rate (b.p)	Effect on profit before tax	Effect on equity	Change in interest rate (b.p)	Effect on profit before tax	Effect on equity
100	(109,254)	9,306	100	(108,806)	9,306
(100)	109,254	(9,306)	(100)	108,806	(9,306)

December 31, 2018			December 31, 2018		
Change in interest rate (b.p)	Effect on profit before tax	Effect on equity	Change in interest rate (b.p)	Effect on profit before tax	Effect on equity
100	(98,933)	18,140	100	(98,097)	18,140
(100)	98,933	(18,140)	(100)	98,097	(18,140)

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the financial assets and financial liabilities held at 31st December. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets at 31st December considering the effects of the assumed changes in interest rates. The total sensitivity of the income statement and equity is based on the assumption that there are parallel shifts in the yield curve.

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, 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
Financial 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 and other assets	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**	**57,770,504**
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)**	**(914,839)**	**(1,464,925)**	

(Amounts in thousands RON)

40. Risk management (continued)

40.2 Market risk (continued)

Interest rate risk (continued)

Group **December 31, 2018**	**0-1 months**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
ASSETS						
Cash in hand	74,561	149,068	670,805	1,341,611	-	2,236,045
Due from Central Bank	1,496,732	625,909	368,057	891,418	403,375	3,785,491
Due from banks	1,850,064	949,904	461,365	36,588	18,423	3,316,344
Derivatives and other financial instruments held for trading	1,524,853	62,816	249,952	408,551	6,291	2,252,463
Loans and advances to customers	9,428,478	11,559,567	3,096,936	5,041,647	476,648	29,603,276
Finance lease receivables	26,445	379,794	115,926	238,618	230	761,012
Financial assets at fair value through profit and loss	40,659	-	-	41,817	-	82,476
Financial assets at fair value through other comprehensive income	(4,013)	1,118,312	1,469,362	3,935,604	5,540,296	12,059,561
Investments in associates and subsidiares	1,415	2,643	11,894	63,438	5,529	84,919
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	10,312	-	-	-	10,312
Deferred tax asset	983	1,965	8,843	47,160	54,529	113,480
Non-current assets held for sale	10,440	348,774	166,230	485,199	353,217	1,363,859
Total assets	**14,451,034**	**15,209,899**	**6,623,130**	**12,551,701**	**6,883,604**	**55,719,369**
Liabilities						
Due to banks	227,859	46,639	-	23,320	-	297,817
Due to customers	13,777,993	7,158,727	8,545,397	10,530,298	5,204,580	45,216,995
Debt issued and borrowed funds	78,858	425,768	299,790	494,328	7,895	1,306,638
Derivative financial instruments	333,061	5,000	3,000	-	-	341,061
Current tax liability	-	2,305	-	-	-	2,305
Other liabilities	-	897,126	-	-	-	897,126
Total liabilities	**14,417,770**	**8,535,565**	**8,848,187**	**11,047,946**	**5,212,475**	**48,061,942**
Total shareholders' equity	**-**	**-**	**765,743**	**3,062,971**	**3,828,714**	**7,657,427**
Net position	**33,264**	**6,674,334**	**(2,990,799)**	**(1,559,215)**	**(2,157,585)**	

(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
Current tax assets	-	-	-	-	-	-
Deferred tax asset	723	1,447	6,510	34,719	39,714	83,113
Non current assets and other assets	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	-	-	-	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**	**47,957,951**
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)**	

(Amounts in thousands RON)

40. Risk management (continued)

40.2 Market risk (continued)

Interest rate risk (continued)

Bank December 31, 2018	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS						
Cash in hand	74,534	149,068	670,805	1,341,611	-	2,236,018
Due from Central Bank	1,496,732	625,909	368,057	891,418	403,375	3,785,491
Due from banks	1,850,059	949,904	461,365	36,588	-	3,297,915
Derivatives and other financial instruments held for trading	1,524,909	62,816	249,952	408,551	6,291	2,252,519
Loans and advances to customers	9,400,618	11,603,494	3,071,703	4,341,996	475,531	28,893,343
Financial assets at fair value through profit and loss	40,658	-	-	21,940	-	62,598
Financial assets at fair value through other comprehensive income	(4,013)	1,118,312	1,469,362	3,935,604	5,540,296	12,059,561
Investments in associates and subsidiares	1,322	2,643	11,894	63,438	50,280	129,577
Goodwill	418	836	3,760	20,052	25,065	50,130
Current tax assets	-	10,312	-	-	-	10,312
Deferred tax asset	932	1,864	8,386	44,725	51,485	107,392
Non-current assets held for sale	10,294	241,821	121,663	478,300	352,420	1,204,498
Total assets	**14,396,462**	**14,766,979**	**6,436,947**	**11,584,222**	**6,904,744**	**54,089,354**
Liabilities						
Due to banks	227,859	46,639	-	23,320	-	297,817
Due to customers	13,790,548	7,178,447	8,583,907	10,553,074	5,209,580	45,315,556
Debt issued and borrowed funds	429	26	1,227	7,006	7,895	16,582
Derivative financial instruments	333,061	5,000	3,000	-	-	341,061
Other liabilities	-	790,929	-	-	-	790,929
Total liabilities	**14,351,896**	**8,021,041**	**8,588,134**	**10,583,399**	**5,217,475**	**46,761,945**
Total shareholders' equity	**-**	**-**	**732,741**	**2,930,964**	**3,663,705**	**7,327,409**
Net position	**44,566**	**6,745,939**	**(2,883,928)**	**(1,930,141)**	**(1,976,436)**	

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, 2019 and 2018 is as follows:

(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	3,409,594	3,300,653	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	992,665	38,911	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	85,574	728	1,457	6,557	34,969	41,863
Goodwill	50,130	418	836	3,760	20,052	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	**57,770,504**	**21,065,255**	**1,517,446**	**5,727,106**	**16,851,699**	**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
Total liabilities	**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)

Group

December 31, 2018	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash in hand	2,236,045	74,561	149,068	670,805	1,341,611	-
Due from Central Bank	3,785,491	1,123,758	173,609	639,039	1,346,958	502,127
Due from banks	3,316,344	1,850,534	949,904	461,365	36,588	17,953
Derivatives and other financial instruments held for trading	2,252,463	2,190,656	61,807	-	-	-
Loans and advances to customers	29,603,276	858,164	835,214	3,866,554	12,671,569	11,371,775
Financial lease receivables	761,012	26,071	43,388	209,652	478,978	2,923
Financial assets at fair value through profit and loss	82,476	-	-	-	82,476	-
Financial assets at fair value through other comprehensive income	12,059,561	12,059,561	-	-	-	-
Investments in associates and subsidiares	84,919	1,416	2,643	11,894	22,779	46,187
Goodwill	50,130	418	836	3,760	20,051	25,065
Current tax assets	10,312	-	10,312	-	-	-
Deferred tax asset	113,480	983	1,965	8,843	47,160	54,529
Non current assets and other assets	1,363,859	10,438	348,774	166,230	485,200	353,217
Total assets	**55,719,369**	**18,196,560**	**2,577,519**	**6,038,142**	**16,533,370**	**12,373,776**
LIABILITIES						
Due to banks	297,817	227,859	-	23,320	46,639	-
Due to customers	45,216,995	9,393,328	4,635,058	7,990,532	16,929,598	6,268,479
Debt issued and borrowed funds	1,306,638	38,441	114,159	402,973	743,170	7,895
Derivative financial instruments	341,061	333,061	5,000	3,000	-	-
Current tax liability	2,305	-	2,305	-	-	-
Other liabilities	897,126	-	897,126	-	-	-
Shareholders' equity	**48,061,942**	**9,992,688**	**5,653,649**	**8,419,824**	**17,719,407**	**6,276,374**
Total shareholders equity	**7,657,427**	**-**	**-**	**765,743**	**3,062,971**	**3,828,714**
Gap		**8,203,873**	**(3,076,130)**	**(3,147,425)**	**(4,249,007)**	**2,268,689**
Cumulative gap		**8,203,873**	**5,127,743**	**1,980,318**	**(2,268,689)**	**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	3,391,780	3,300,192	55,000	36,588	-	-
Derivatives and other financial instruments held for trading	1,244,069	1,244,069	-	-	-	-
Loans and advances to customers	29,466,780	1,028,429	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	133,982	1,116	2,233	10,049	53,593	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**	**15,585,381**	**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)

Bank

December 31, 2018	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS						
Cash in hand	2,236,018	74,534	149,068	670,805	1,341,611	-
Due from Central Bank	3,785,491	1,123,758	173,609	639,039	1,346,958	502,127
Due from banks	3,297,915	1,850,058	949,904	461,365	36,588	-
Derivatives and other financial instruments held for trading	2,252,519	2,190,712	61,807	-	-	-
Loans and advances to customers	28,893,343	828,925	873,161	3,848,615	11,971,985	11,370,658
Financial assets at fair value through profit and loss	62,598	0	-	-	62,598	-
Financial assets at fair value through other comprehensive income	12,059,561	12,059,561	-	-	-	-
Investments in associates and subsidiares	129,577	1,322	2,643	11,894	22,780	90,938
Goodwill	50,130	418	836	3,760	20,052	25,065
Current tax assets	10,312	-	10,312	-	-	-
Deferred tax asset	107,392	932	1,864	8,386	44,725	51,485
Non current assets and other assets	1,204,498	10,294	241,821	121,663	478,300	352,420
Total assets	**54,089,354**	**18,140,514**	**2,465,024**	**5,765,527**	**15,325,597**	**12,392,693**
LIABILITIES						
Due to banks	297,817	227,859	-	23,320	46,639	-
Due to customers	45,315,556	9,433,975	4,655,297	8,011,136	16,941,669	6,273,479
Debt issued and borrowed funds	16,582	429	26	1,227	7,006	7,895
Derivative financial instruments	341,061	331,548	5,230	3,203	1,080	-
Other liabilities	790,929	-	790,929	-	-	-
Total liabilities	**46,761,945**	**9,993,810**	**5,451,482**	**8,038,885**	**16,996,394**	**6,281,374**
Total shareholders equity	**7,327,409**	**-**	**-**	**732,741**	**2,930,964**	**3,663,705**
Gap		**8,146,704**	**(2,986,458)**	**(3,006,099)**	**(4,601,762)**	**2,447,614**
Cumulative gap		**8,146,704**	**5,160,246**	**2,154,147**	**(2,447,615)**	**(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, 2019	**Total**	**0-1 months**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
LIABILITIES						
Due to banks	423,732	373,426	183	25,486	24,637	-
Due to customers	46,162,639	9,951,660	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	68,624	(11,034)	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	**54,986,376**	**15,761,332**	**5,118,427**	**9,777,662**	**18,085,763**	**6,243,192**

Group

December 31, 2018	**Total**	**0-1 months**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
LIABILITIES						
Due to banks	302,603	228,119	237	25,043	49,203	-
Due to customers	45,516,292	9,433,228	4,675,309	8,131,480	16,995,889	6,280,387
Debt issued and borrowed funds	1,333,155	40,238	116,109	407,407	746,766	22,635
Derivative financial instruments	96,897	(9,071)	52,290	4,708	40,506	8,464
Current tax liability	2,305	-	-	2,305	-	-
Other liabilities except for fair values of derivatives	897,126	-	897,126	-	-	-
Letters of guarantee granted	5,308,124	5,308,124	-	-	-	-
Total liabilities	**53,456,502**	**15,000,637**	**5,741,071**	**8,570,944**	**17,832,364**	**6,311,486**

(Amounts in thousands RON)

40. Risk management (continued)

40.3 Liquidity risk (continued)

Future undiscounted cash flows (continued)

Bank

December 31, 2019	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	423,732	373,426	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	10,367	418	8	1,267	6,757	1,917
Derivative financial instruments	67,114	(11,060)	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	**53,295,350**	**15,716,548**	**4,992,940**	**9,294,331**	**17,043,545**	**6,247,986**

Bank

December 31, 2018	Total	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years
LIABILITIES						
Due to banks	302,603	228,119	237	25,043	49,203	-
Due to customers	45,620,462	9,473,663	4,695,733	8,152,084	17,011,930	6,287,052
Debt issued and borrowed funds	8,688	430	26	1,227	7,006	-
Derivative financial instruments	96,841	(9,102)	52,290	4,709	40,497	8,447
Other liabilities except for fair values of derivatives	790,929	-	790,929	-	-	-
Letters of guarantee granted	5,323,714	5,323,714	-	-	-	-
Total liabilities	**52,143,236**	**15,016,824**	**5,539,215**	**8,183,063**	**17,108,636**	**6,295,499**

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 and model risk, but excludes the strategic and reputational risks. 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 2019, the Group operational risk strategy focused on the following axes:

Actions performed by Operational Risk Management Unit:

- Enhancement of operational risk culture through management awareness and staff training through RO contacts
- Consolidation of operational risk reporting from BRD Subsidiaries
- Review of Operational Risk Management Framework according to new SG requirements and define an escalation procedure for payment services incidents according to NBR Regulation No. 3/2018 and PSD2 (EU Payment Service Directive)
- 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
- Implementation of a new tool for action plans monitoring

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 behavior and new fraud typologies
- Face to face antifraud training sessions with employees in order to increase awareness of fraud prevention and detection of fraud cases
- Implement 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

Actions performed by Business Continuity Management Division:

- Follow-up of business continuity strategy including new crisis scenarios, mainly the regional disaster scenario for which back-up solutions will be further developed during 2020-2021
- 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

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)
- 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	
	2019	**2018**	**2019**	**2018**
Eligible CET1	*6,465*	*6,465*	*6,188*	*6,188*
Eligible CET1 after adjustments	*6,644*	*6,468*	*6,367*	*6,184*
Total Tier 1 capital	6,067	5,956	5,793	5,674
TOTAL OWN FUNDS	**6,067**	**5,956**	**5,793**	**5,674**
Total capital requirement	**2,441**	**2,278**	**2,311**	**2,156**
Credit risk (including counterparty risk)	27,692	25,706	26,118	24,244
Market risk	320	263	317	264
Operational risk	2,380	2,328	2,328	2,272
CVA risk	120	172	120	172
Total risk exposure amount	**30,512**	**28,470**	**28,884**	**26,951**
Regulatory CAR	19.88%	20.92%	20.06%	21.05%
Tier 1 ratio	19.88%	20.92%	20.06%	21.05%

Group's and Bank's own funds comprises Tier 1 capital. As at December 31, 2019 and December 31, 2018 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, 2018.

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, 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	**13,000,391**	**-**	**65,776**	**13,066,167**	**12,979,712**	**-**	**65,776**	**13,045,488**
Other financial instruments held for trading	1,067,010	-	-	**1,067,010**	1,067,010	-	-	**1,067,010**
Total	**14,067,401**	**103,568**	**89,224**	**14,260,192**	**14,046,722**	**103,605**	**89,224**	**14,239,551**
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	-	-	30,226,840	**30,226,840**	-	-	29,495,895	**29,495,895**
Financial lease receivables	-	-	1,003,703	**1,003,703**	-	-	-	-
Total	**10,252,240**	**-**	**31,230,542**	**41,482,782**	**10,234,393**	**-**	**29,495,895**	**39,730,288**

(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**

(Amounts in thousands RON)

42. Fair value (continued)

	Group				Bank			
	December 31, 2018				December 31, 2018			
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	-	94,603	-	**94,603**	-	94,603	-	**94,603**
Currency swaps	-	13,008	-	**13,008**	-	13,008	-	**13,008**
Forward foreign exchange contracts	-	2,772	-	**2,772**	-	2,829	-	**2,829**
Options	-	-	45,877	**45,877**	-	-	45,877	**45,877**
	-	**110,383**	**45,877**	**156,260**	**-**	**110,439**	**45,877**	**156,316**
Financial assets at fair value through other comprehensive income	12,059,561	-	-	**12,059,561**	12,059,561	-	-	**12,059,561**
Equity investments (listed)	2,387	-	-	**2,387**	2,387	-	-	**2,387**
Equity investments (not listed)	-	-	44,976	**44,976**	-	-	44,976	**44,976**
Other securities quoted	35,113	-	-	**35,113**	15,235	-	-	**15,235**
Total	**12,097,061**	**-**	**44,976**	**12,142,037**	**12,077,183**	**-**	**44,976**	**12,122,159**
Other financial instruments held for trading	2,096,203	-	-	**2,096,203**	2,096,203	-	-	**2,096,203**
Total	**14,193,264**	**110,383**	**90,853**	**14,394,500**	**14,173,386**	**110,439**	**90,853**	**14,374,678**
Assets for which fair value is disclosed								
Cash in hand	2,236,045	-	-	**2,236,045**	2,236,018	-	-	**2,236,018**
Due from Central Bank	3,785,491	-	-	**3,785,491**	3,785,491	-	-	**3,785,491**
Due from banks	3,316,344	-	-	**3,316,344**	3,297,915	-	-	**3,297,915**
Loans and advances to customers	-	-	29,696,128	**29,696,128**	-	-	29,073,003	**29,073,003**
Financial lease receivables	-	-	760,754	**760,754**	-	-	-	-
Total	**9,337,880**	**-**	**30,456,882**	**39,794,762**	**9,319,424**	**-**	**29,073,003**	**38,392,427**

(Amounts in thousands RON)

42. Fair value (continued)

	Group				Bank			
	December 31, 2018				December 31, 2018			
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	-	39,294	-	**39,294**	-	39,294	-	**39,294**
Currency swaps	-	5,315	-	**5,315**	-	5,315	-	**5,315**
Forward foreign exchange contracts	-	13,246	-	**13,246**	-	13,246	-	**13,246**
Options	-	-	47,106	**47,106**	-	-	47,106	**47,106**
Total	**-**	**57,854**	**47,106**	**104,960**	**-**	**57,854**	**47,106**	**104,960**
Other financial instruments held for trading	236,101	-	-	**236,101**	236,101	-	-	**236,101**
Total	**236,101**	**57,854**	**47,106**	**341,061**	**236,101**	**57,854**	**47,106**	**341,061**
Liabilities for which fair value is disclosed								
Due to banks	297,817	-	-	**297,817**	297,817	-	-	**297,817**
Due to customers	-	45,220,593	-	**45,220,593**	-	45,319,161	-	**45,319,161**
Borrowed funds	-	1,306,638	-	**1,306,638**	-	16,582	-	**16,582**
Total	**297,817**	**46,527,231**	**-**	**46,825,048**	**297,817**	**45,335,743**	**-**	**45,633,560**

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, 2019		December 31, 2018		December 31, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash in hand	2,077,373	2,077,373	2,236,045	**2,236,045**	2,077,340	2,077,340	2,236,018	**2,236,018**
Due from Central Bank	4,765,273	4,765,273	3,785,491	**3,785,491**	4,765,273	4,765,273	3,785,491	**3,785,491**
Due from banks	3,409,594	3,409,594	3,316,344	**3,316,344**	3,391,780	3,391,780	3,297,915	**3,297,915**
Loans and advances to customers	30,292,869	30,226,840	29,603,276	**29,696,128**	29,466,780	29,495,895	28,893,343	**29,073,003**
Financial lease receivables	992,665	1,003,703	761,012	**760,754**	-	-	-	-
	41,537,774	**41,482,782**	**39,702,168**	**39,794,762**	**39,701,173**	**39,730,288**	**38,212,767**	**38,392,427**
Financial liabilities								
Due to banks	421,112	421,112	297,817	**297,817**	421,112	421,112	297,817	**297,817**
Due to customers	45,898,751	45,897,284	45,216,995	**45,220,593**	46,039,649	46,038,177	45,315,556	**45,319,161**
Borrowed funds	1,696,495	1,696,495	1,306,638	**1,306,638**	10,367	10,367	16,582	**16,582**
	48,016,358	**48,014,891**	**46,821,450**	**46,825,048**	**46,471,128**	**46,469,656**	**45,629,955**	**45,633,560**

(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.

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, 2017	**32,322**	**46,190**	**46,267**
Acquisitions	-	25,061	25,061
Sales	(131)	(1,143)	(1,143)
Reimbursements	-	(24,903)	(24,904)
Gain from change in fair value	11,986	672	1,825
Reclassification	799	-	-
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**

43. Subsequent events

Subsequent to 31 December 2019, an epidemic emerged in large number of countries around the globe including in Romania. There is a broad range of reasonable scenarios that can be considered, in some of them it is expected an impact on the ability of banks clients in certain industries to repay their debts. As well, there might be implications and risks for business continuity and banks business from 2020 onwards.