

BRD – Groupe Société Générale S.A.

INTERIM FINANCIAL STATEMENTS

JUNE 30, 2021

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
for the period ended June 30, 2021
(Amounts in thousands RON)

	Note	Group		Bank	
		Unaudited (*)		June 30, 2021	December 31, 2020
		June 30, 2021	December 31, 2020		
ASSETS					
Cash in hand	4,32	2,447,575	1,889,556	2,447,571	1,889,552
Due from Central Bank	5	2,895,882	5,223,833	2,895,882	5,223,833
Due from banks	6	5,829,420	5,516,842	5,813,157	5,499,644
Derivatives and other financial instruments held for trading	7	2,899,720	2,400,365	2,899,730	2,400,365
Loans and advances to customers	8	32,533,132	29,642,998	31,798,714	28,873,021
Finance lease receivables	9	1,139,802	1,066,899	-	-
Financial assets at fair value through profit and loss	10	7,176	85,240	7,176	58,384
Financial assets at fair value through other comprehensive income	11	17,183,963	15,943,470	17,183,963	15,943,470
Investments in subsidiaries, associates and joint ventures		94,833	99,114	158,916	158,916
Property, plant and equipment	12	1,055,865	1,065,856	1,041,971	1,052,585
Investment property		17,147	17,798	17,147	17,798
Goodwill	13	50,130	50,130	50,130	50,130
Intangible assets	14	262,383	247,379	260,682	244,299
Current tax assets	19	-	4,911	-	4,905
Deferred tax asset	19	11,180	10,287	-	-
Other assets	15	360,545	293,067	258,642	217,683
Non-current assets held for sale		2,889	-	2,889	-
Total assets		66,791,642	63,557,745	64,836,570	61,634,585
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	16	485,121	199,011	485,121	199,011
Due to customers	17	53,007,283	49,957,754	53,208,562	50,152,126
Borrowed funds	18	1,760,803	1,742,352	4,868	6,765
Derivatives and other financial instruments held for trading	7	257,384	599,669	257,384	599,669
Current tax liability	19	62,761	2,069	60,694	-
Deferred tax liability	19	1,446	37,907	1,446	37,907
Provisions	20.1	370,681	442,100	363,100	435,588
Other liabilities	20.2	756,269	804,818	662,558	731,376
Total liabilities		56,701,748	53,785,680	55,043,733	52,162,442
Share capital	21	2,515,622	2,515,622	2,515,622	2,515,622
Other reserves		548,635	804,442	548,635	804,442
Retained earnings and capital reserves		6,974,004	6,403,510	6,728,580	6,152,079
Non-controlling interest		51,633	48,491	-	-
Total equity		10,089,894	9,772,065	9,792,837	9,472,143
Total liabilities and equity		66,791,642	63,557,745	64,836,570	61,634,585

The financial statements have been authorized by the Group's management on August 2, 2021 and are signed on the Group's behalf by:

Giovanni Luca Soma
Chairman of the Board of
Directors

François Bloch
Chief Executive Officer

Etienne Loulergue
Chief Financial Officer

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE PROFIT OR LOSS
for the period ended June 30, 2021
(Amounts in thousands RON)

	Note	Group		Bank	
		Unaudited (*)		Six months ended June 30, 2021	Six months ended June 30, 2020
		Six months ended June 30, 2021	Six months ended June 30, 2020		
Interest and similar income	22	1,090,173	1,130,858	1,015,138	1,052,690
Interest and similar expense	23	(76,710)	(88,979)	(66,313)	(75,906)
Net interest income		1,013,463	1,041,879	948,825	976,784
Fees and commission income	24	512,420	446,956	490,837	424,575
Fees and commission expense	24	(134,563)	(114,395)	(130,721)	(111,572)
Fees and commissions, net		377,857	332,561	360,116	313,003
Gain on derivative, other financial instruments held for trading and foreign exchange	25	128,074	136,688	127,773	136,014
Gain from financial instruments at fair value through other comprehensive income		11,960	1,274	11,960	1,274
Gain from financial instruments at fair value through profit and loss		7,937	962	7,601	1,063
Net (loss)/Income from associates and joint ventures		(934)	(2,000)	3,349	5,791
Other income/(expense) from banking activities	26	(561)	754	12,802	(1,074)
Net banking income		1,537,796	1,512,118	1,472,426	1,432,855
Personnel expenses	28	(407,603)	(412,291)	(380,957)	(385,401)
Depreciation, amortisation and impairment on tangible and intangible assets	29	(122,650)	(116,084)	(118,266)	(111,702)
Contribution to Guarantee Scheme and Resolution Fund	27	(49,156)	(43,304)	(49,156)	(43,304)
Other operating expenses	30	(246,082)	(227,929)	(230,436)	(214,978)
Total operating expenses		(825,491)	(799,608)	(778,815)	(755,385)
Gross operating profit		712,305	712,510	693,611	677,470
Cost of risk	31	38,870	(225,113)	57,187	(202,648)
Operating profit		751,175	487,397	750,798	474,822
Profit before income tax		751,175	487,397	750,798	474,822
Current tax expense	19	(113,890)	(76,585)	(109,757)	(73,782)
Deferred tax (expense) / income	19	(11,449)	3,866	(12,342)	3,993
Total income tax		(125,339)	(72,719)	(122,099)	(69,789)
Profit for the period		625,836	414,678	628,699	405,033
Profit attributable to equity holders of the parent		622,694	409,862	-	-
Profit attributable to non-controlling interests		3,142	4,816	-	-
Basic earnings per share (in RON)	37	0.8935	0.5881	0.9021	0.5812

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the period ended June 30, 2021
(Amounts in thousands RON)

	Group Unaudited (*)		Bank	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Profit for the period	625,836	414,678	628,699	405,033
Other comprehensive income				
Net comprehensive income that may be reclassified to profit and loss in subsequent periods	(255,807)	84,287	(255,807)	84,287
Net gain/(loss) on financial assets at fair value through other comprehensive income	(255,807)	84,287	(255,807)	84,287
Reclassifications to profit and loss during the period	11,552	1,193	11,552	1,193
Revaluation differences	(316,162)	99,133	(316,162)	99,133
Income tax	48,803	(16,039)	48,803	(16,039)
Other comprehensive income for the period, net of tax	(255,807)	84,287	(255,807)	84,287
Total comprehensive income for the period, net of tax	370,029	498,965	372,892	489,320
Attributable to:				
Equity holders of the parent	366,887	494,149		-
Non-controlling interest	3,142	4,816		-

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended June 30, 2021
(Amounts in thousands RON)

Group Unaudited (*)

	Attributable to equity holders of the parent				Non-controlling interest	Total equity
	Other reserves					
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves		
December 31, 2019	2,515,622	159,619	19,533	5,441,455	47,689	8,183,918
Total comprehensive income	-	84,287	-	409,862	4,816	498,965
Net Profit for the period	-	-	-	409,862	4,816	414,678
Other comprehensive income	-	84,287	-	-	-	84,287
June 30, 2020	2,515,622	243,906	19,533	5,851,321	52,505	8,682,887

	Attributable to equity holders of the parent				Non-controlling interest	Total equity
	Other reserves					
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves		
December 31, 2020	2,515,622	789,030	15,412	6,403,510	48,491	9,772,065
Total comprehensive income	-	(255,807)	-	622,694	3,142	370,029
Net Profit for the period	-	-	-	622,694	3,142	625,836
Other comprehensive income	-	(255,807)	-	-	-	(255,807)
Equity dividends	-	-	-	(52,198)	-	(52,198)
June 30, 2021	2,515,622	533,223	15,412	6,974,004	51,633	10,089,894

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended June 30, 2021
(Amounts in thousands RON)

Bank

	<u>Other reserves</u>				Total equity
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves	
December 31, 2019	2,515,622	159,619	19,533	5,200,514	7,895,288
Total comprehensive income	-	84,287	-	405,033	489,320
Net Profit for the period	-	-	-	405,033	405,033
Other comprehensive income	-	84,287	-	-	84,287
June 30, 2020	2,515,622	243,906	19,533	5,605,546	8,384,607

	<u>Other reserves</u>				Total equity
	Issued capital	Reserves from financial assets at fair value through other comprehensive income	Reserves from defined pension plan	Retained earnings and capital reserves	
December 31, 2020	2,515,622	789,030	15,412	6,152,079	9,472,143
Total comprehensive income	-	(255,807)	-	628,699	372,892
Net Profit for the period	-	-	-	628,699	628,699
Other comprehensive income	-	(255,807)	-	-	(255,807)
Equity dividends	-	-	-	(52,198)	(52,198)
June 30, 2021	2,515,622	533,223	15,412	6,728,580	9,792,837

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(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
for the period ended June 30, 2021
(Amounts in thousands RON)

Note	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2021	Six months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash flows from operating activities				
Profit before tax	751,175	487,397	750,798	474,822
<i>Adjustments for:</i>				
Depreciation and amortization expense	122,650	116,084	118,266	111,702
Loss from investment in associates and joint ventures	4,279	7,791	-	-
Loss/ (Gain) from revaluation of assets at fair value through profit and loss	(7,484)	(981)	(7,148)	(1,082)
Impairment adjustments and provisions	28,490	271,215	8,234	247,125
Adjusted profit	899,110	881,506	870,150	832,567
Changes in operating assets and liabilities				
Due from Central Bank	2,327,951	1,661,129	2,327,951	1,661,129
Accounts and deposits with banks	(11,029)	(2,432)	(11,962)	(3,379)
Sales of financial assets at fair value through profit and loss	85,548	-	58,356	-
Acquisition of financial assets at fair value through profit and loss	-	(4,799)	-	1
Financial assets at fair value through other comprehensive income	(1,496,300)	(805,806)	(1,496,300)	(805,806)
Loans and advances to customers	(2,880,435)	69,774	(2,905,244)	23,088
Lease receivables	(81,894)	(38,953)	-	-
Other assets including trading	(635,097)	(1,690,916)	(591,805)	(1,647,256)
Due to banks	286,110	(7,696)	286,110	(7,696)
Due to customers	3,049,529	1,658,687	3,056,436	1,681,601
Other liabilities	(455,195)	406,990	(491,829)	386,766
Total changes in operating assets and liabilities	189,188	1,245,978	231,713	1,288,448
Income tax paid	(48,292)	(49,046)	(44,158)	(46,960)
Cash flow from operating activities	1,040,006	2,078,438	1,057,705	2,074,056
Investing activities				
Acquisition of investments in associates and joint ventures	-	(13,035)	-	(13,034)
Acquisition of tangible and intangible assets	(102,953)	(80,563)	(103,255)	(79,644)
Proceeds from sale of tangible and intangible assets	1,323	995	1,323	995
Cash flow from investing activities	(101,630)	(92,603)	(101,932)	(91,683)
Financing activities				
Proceeds from borrowings	714,472	12,427,039	109	12,001,384
Repayment of borrowings	(696,021)	(12,430,077)	(2,006)	(12,003,607)
Repayment of principal lease liabilities	(45,060)	(42,391)	(42,108)	(39,713)
Dividends paid	(52,198)	-	(52,198)	-
Net cash from financing activities	(78,807)	(45,429)	(96,203)	(41,935)
Net movements in cash and cash equivalents	859,569	1,940,405	859,570	1,940,437
Cash and cash equivalents at beginning of the period	7,259,266	5,337,054	7,259,261	5,337,018
Cash and cash equivalents at the end of the period	8,118,835	7,277,459	8,118,831	7,277,455

Operational cash flows from interest and dividends

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2021	Six months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Interest paid	76,389	93,801	66,907	76,842
Interest received	1,128,180	1,207,498	1,065,786	1,129,690
Dividends received	3,349	5,791	19,315	5,791

The amount of undrawn borrowing facilities that may be available for future operating activities is 0 (December 31, 2020: 486,940) and represents a stand by line concluded with the parent for contingency funding purposes as requested by the Romanian banking regulations on liquidity management. The stand by line with the parent was closed in May 2021.

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(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 June 30, 2021 (the “Parent” or “SG”).

The Bank has as at June 30, 2021 541 units throughout the country (December 31, 2020: 584).

The average number of active employees of the Group during first semester was 6,723 (2020: 7,063), and the number of active employees of the Group as of the period-end was 6,649 (December 31, 2020: 6,860).

The average number of active employees of the Bank during first semester was 6,250 (2020: 6,528), and the number of active employees of the Bank as of the period-end was 6,186 (December 31, 2020: 6,357).

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:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Societe Generale	60.17%	60.17%
Fondul De Pensii Administrat Privat Nn/Nn Pensii S.A.F.P.A.P. S.A.	5.31%	5.31%
Fondul De Pensii Administrat Privat Azi Viitorul Tau/Allianz Pp	4.28%	4.26%
S.I.F. Oltenia	4.11%	4.11%
Fondul De Pensii Administrat Privat Metropolitan Life	3.06%	2.96%
S.I.F. Transilvania	2.99%	3.17%
Legal entities	16.05%	15.65%
Individuals	4.03%	4.37%
Total	100.00%	100.00%

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

2. Basis of preparation

a) Basis of preparation

The separate interim financial statements as at June 30, 2021 are of the Bank BRD – Groupe Société Générale. The consolidated and separate interim financial statements as at June 30, 2021 and June 30, 2020 are not audited nor reviewed (references included in the financial statements and selected explanatory notes).

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

The interim financial statements does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2020. 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, as amended, BRD prepared consolidated and separate financial statements for the year ended December 31, 2020 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (“EU”).

The consolidated interim financial statements includes the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in shareholders’ equity, the consolidated cash flow statement, and selected explanatory notes.

The separate interim financial statements includes the separate statement of financial position, the separate income statement, the separate statement of comprehensive income, the statement of changes in shareholders’ equity, the separate cash flow statement, and selected explanatory notes.

The consolidated and separate interim 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 interim 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 Bank’s management has made an assessment of the 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 financial statements are prepared on the going concern basis.

b) Basis for consolidation

The consolidated interim financial statements comprise the financial statements of the credit institution and its subsidiaries as at June 30, 2021. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

The accompanying notes are an integral part of this financial statements

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

2. Basis of preparation (continued)

b) Basis for consolidation (continued)

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, 2020: 99.98%), BRD Finance IFN S.A (49% ownership, 2020: 49%) and BRD Asset Management SAI SA (99.98% ownership, 2020: 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.

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.

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

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(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/Bank as of 1 January 2021.

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

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

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

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

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met: The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change. Any reduction in lease payments affects only payments originally due on or before 30 June 2021. There is no substantive change to other terms and conditions of the lease.

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

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

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

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

2. Basis of preparation (continued)

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

indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

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

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

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

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

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

The amendments have not yet been endorsed by the EU.

• **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic.

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

2. Basis of preparation (continued)

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

Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The Amendment has not yet been endorsed by the EU.

• **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments):**

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU.

• **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):**

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU.

• **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments):**

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU.

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

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 38.

Expected credit losses on financial assets at amortised cost and FVOCI

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

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

- The internal credit grading model, which assigns probabilities of default (PDs) to the individual grades
- The criteria defined (both in relative and absolute terms) for the assessment of significant increase in credit risk since initial recognition and consequently the computation of allowances based on life time expected credit loss (LTECL)
- The grouping of financial assets when their ECL is measured on a collective basis
- The development of ECL model, including the various formulas and the choice of inputs
- The macroeconomic scenarios and their probability weightings based on which ECL is derived
- The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, the Bank assesses the need/opportunity for additional amounts of provisions in the form of overlays, in order to address:
 - Sector of activity specific risks (adjustment of ECL on sectors that have a different default behaviour from the whole calibration segment)
 - Visible macroeconomic threat impossible to be captured by the models (typically, when the predicted stress did not occur in the observed past serving as a base for models)
- The overlays booked by the Bank represent 5.7% (2020: 5.5%) of total stock of expected credit losses.
- For individually significant loans and advances, the Group and Bank identify and quantify the expected future cash flows to be used for a total or partial reimbursement of the obligations, based on the capacity of the client/business to generate revenues, proceeds resulting from sale of collaterals and other clearly

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

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.

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 20.1 for more details.

COVID - 19

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

In addition to legislative moratorium provisions, BRD has also designed internal deferral programs in order to support its debtors under the temporary distress. These measures fall into the non-legislative category.

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

For the eligible debtors the moratorium-related changes to the contract are not automatically considered forbearance measures, hence no automatically default trigger.

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

- The distribution of moratoria loans across stages is: 27% Stage 1, 64% Stage 2, 9% Stage 3
- The distribution of total Group portfolio across stages is: 69% Stage 1, 27% Stage 2, 4% Stage 3

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).

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

3. 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.

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

3. Segment information (continued)

	Group							
	June 30, 2021 Unaudited (*)				December 31, 2020			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	66,791,642	22,622,138	11,050,796	33,118,708	63,557,745	22,108,317	8,601,580	32,847,847
Loans and advances to customers, net & Finance lease receivables	33,672,934	22,622,138	11,050,796	-	30,709,897	22,108,317	8,601,580	-
Other assets	33,118,708	-	-	33,118,708	32,847,847	-	-	32,847,847
Total liabilities	66,791,642	34,405,531	18,601,752	13,784,359	63,557,745	33,708,531	16,249,223	13,599,991
Due to customers	53,007,283	34,405,531	18,601,752	-	49,957,754	33,708,531	16,249,223	-
Other liabilities	13,784,359	-	-	13,784,359	13,599,991	-	-	13,599,991

	Bank							
	June 30, 2021				December 31, 2020			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	64,836,570	21,606,600	10,192,114	33,037,856	61,634,585	21,096,342	7,776,679	32,761,564
Loans and advances to customers, net	31,798,714	21,606,600	10,192,114	-	28,873,021	21,096,342	7,776,679	-
Other assets	33,037,856	-	-	33,037,856	32,761,564	-	-	32,761,564
Total liabilities	64,836,570	34,405,531	18,803,031	11,628,008	61,634,585	33,708,531	16,443,595	11,482,459
Due to customers	53,208,562	34,405,531	18,803,031	-	50,152,126	33,708,531	16,443,595	-
Other liabilities	11,628,008	-	-	11,628,008	11,482,459	-	-	11,482,459

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

3. Segment information (continued)

	Group							
	Unaudited (*)				Unaudited (*)			
	Six months ended June 30, 2021				Six months ended June 30, 2020			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	1,013,463	687,878	211,831	113,754	1,041,879	671,778	227,525	142,576
Fees and commissions, net	377,857	274,752	107,037	(3,932)	332,561	252,436	84,889	(4,764)
Total non-interest income	146,476	45,671	40,204	60,601	137,678	40,987	36,082	60,609
Operating income	1,537,796	1,008,301	359,072	170,423	1,512,118	965,200	348,496	198,421
Total operating expenses	(825,491)	(579,293)	(198,541)	(47,657)	(799,608)	(569,744)	(209,085)	(20,778)
Cost of risk	38,870	(49,139)	99,975	(11,966)	(225,113)	(122,974)	(100,202)	(1,936)
Profit before income tax	751,175	379,869	260,506	110,800	487,397	272,482	39,208	175,706
Total income tax	(125,339)	(63,390)	(43,472)	(18,477)	(72,719)	(40,605)	(5,843)	(26,271)
Profit for the period	625,836	316,479	217,034	92,323	414,678	231,877	33,365	149,435
Cost Income Ratio	53.7%	57.5%	55.3%	28.0%	52.9%	59.0%	60.0%	10.5%

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

3. Segment information (continued)

	Bank							
	Six months ended June 30, 2021				Six months ended June 30, 2020			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	948,825	647,372	184,786	116,667	976,784	626,747	203,435	146,603
Fees and commissions, net	360,116	260,828	104,696	(5,408)	313,003	236,949	83,054	(6,999)
Total non-interest income	163,485	45,654	37,511	80,320	143,068	40,688	34,472	67,908
Operating income	1,472,425	953,853	326,993	191,579	1,432,854	904,382	320,960	207,511
Total operating expenses	(778,815)	(545,521)	(185,536)	(47,758)	(755,385)	(537,689)	(197,117)	(20,578)
Cost of risk	57,187	(41,501)	110,655	(11,967)	(202,648)	(110,379)	(90,334)	(1,936)
Profit before income tax	750,798	366,831	252,112	131,854	474,822	256,315	33,510	184,998
Total income tax	(122,099)	(59,656)	(41,000)	(21,443)	(69,789)	(37,673)	(4,925)	(27,191)
Profit for the period	628,699	307,176	211,112	110,411	405,033	218,642	28,584	157,807
Cost Income Ratio	52.9%	57.2%	56.7%	24.9%	52.7%	59.5%	61.4%	9.9%

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

4. Cash in hand

	Group		Bank	
	Unaudited (*)			
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Cash in vaults	2,043,980	1,317,039	2,043,976	1,317,035
Cash in ATM	403,596	572,516	403,596	572,516
Total	2,447,575	1,889,556	2,447,571	1,889,552

5. Due from Central Bank

	Group		Bank	
	Unaudited (*)			
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Current accounts	2,895,882	5,223,833	2,895,882	5,223,833
Total	2,895,882	5,223,833	2,895,882	5,223,833

6. Due from banks

	Group		Bank	
	Unaudited (*)			
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Deposits at Romanian banks	220,657	31,642	220,657	31,641
Deposits at foreign banks	5,013,900	3,285,359	4,997,637	3,268,163
Current accounts at Romanian banks	35	1	35	1
Current accounts at foreign banks	594,828	706,131	594,828	706,131
Reverse repo	-	1,493,708	-	1,493,708
Total	5,829,420	5,516,842	5,813,157	5,499,644

The Due from banks portfolio is classified as Stage 1. The Group and Bank registered an impairment allowance for Due from banks of 363 as at June 30, 2021 (December 31, 2020: 91).

7. Derivative and other financial instruments held for trading

	Group Unaudited (*)		
	June 30, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	48,757	37,673	4,812,774
Currency swaps	4,616	2,650	3,077,673
Forward foreign exchange contracts	5,902	8,035	1,100,688
Options	20,598	20,623	3,399,186
Total derivative financial instruments	79,873	68,981	12,390,321

	June 30, 2021	
	Assets	Liabilities
Treasury notes	1,122,909	141,618
Trading loans/deposits	-	41,616
Reverse repo/Repo	1,696,938	5,169
Total financial assets and liabilities held for trading	2,819,847	188,403

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended **June 30, 2021**
(Amounts in thousands RON)

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

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

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

Bank

	June 30, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	48,757	37,673	4,812,774
Currency swaps	4,616	2,650	3,077,673
Forward foreign exchange contracts	5,912	8,035	1,115,468
Options	20,598	20,623	3,399,186
Total derivative financial instruments	79,883	68,981	12,405,101

	June 30, 2021	
	Assets	Liabilities
Treasury notes	1,122,909	141,618
Trading loans/deposits	-	41,616
Reverse repo/Repo	1,696,938	5,169
Total financial assets and liabilities held for trading	2,819,847	188,403

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

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

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

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

The Group continue to apply hedge accounting (fair value hedge) as at June 30, 2021 and has 3 hedging relationships (4 hedging relationships as at December 31, 2020).

- The macro fair value hedge of interest rate risk associated with the current accounts initiated on September 30, 2013 closed on March 29, 2021.
- On June 30, 2018, the Bank initiated two macro fair value hedges one in EUR and one in USD of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged items are represented by the portion of the current accounts portfolio equal to the swaps nominal values of:
 - 144 million EUR yearly with a fixed interest rate of 0.42%, the remaining period of 7 years.
 - 48 million EUR yearly with a fixed interest rate of -0.0125%, the remaining period of 2 years.
 - 50 million EUR yearly with a fixed interest rate of 0.171%, the remaining period of 4 years.
 - 42 million EUR yearly with a fixed interest rate of -0.0125%; the remaining period of 2 years.
 - 32 million USD yearly with a fixed interest rate of 2.813%; the remaining period of 7 years.
 - 18 million USD yearly with a fixed interest rate of 2.765%; the remaining period of 2 years.
- On October 30, 2020, the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 350 million EUR with a fixed interest rate of -0.403%. The remaining period for the hedging instrument is of 9.5 years.

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

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

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

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

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

As at June 30, 2021, 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 9,845. The change in value of the hedged item during the period is explained by loss from revaluation in amount of 41,229 and by the exchange rate evolution effect in amount of -662. During 2021, the difference between the hedging gains or losses of the hedging instrument and the hedged item recognized in profit or loss amounts 4,075.

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

	June 30, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	32,908	22,599	3,003,479

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

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.

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

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

Options

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

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

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

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

8. Loans and advances to customers

	Group		Bank	
	Unaudited (*)			
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Loans, gross	34,433,710	31,534,050	33,560,247	30,633,863
Loans impairment	(1,900,578)	(1,891,052)	(1,761,533)	(1,760,842)
Total	32,533,132	29,642,998	31,798,714	28,873,021

The structure of loans is the following:

	Group		Bank	
	Unaudited (*)			
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Working capital loans	5,608,970	3,836,151	5,608,970	3,836,151
Loans for equipment	3,274,141	2,676,540	3,035,311	2,459,487
Trade activities financing	815,780	914,760	815,780	914,760
Acquisition of real estate, including mortgage for individuals	13,267,064	13,040,071	13,267,064	13,040,071
Consumer loans	9,343,122	9,121,155	8,708,489	8,438,022
Other	2,124,633	1,945,373	2,124,633	1,945,373
Total	34,433,710	31,534,050	33,560,247	30,633,863

During 2021 the gross loan portfolio increased by 2,926 million RON as compared with 31 December 2020.

As at 30 June 2021 the Bank's gross loan portfolio and movements were distributed as follows:

- Stage 1: 24,913 million RON, with a 3,945 million increase compared to 31 December 2020.
- Stage 2: 7,385 million RON, with a 1,155 million RON decrease compared to 31 December 2020.
- Stage 3: 1,204 million RON, with a 137 million RON increase compared to 31 December 2020.
- POCI: 59 million RON, with a 0.15 million RON decrease compared to 31 December 2020.

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

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

- The net decrease in Stage 2 portfolio reflects primarily the transfers back to Stage 1 in the context of favorable/ positive macroeconomic evolution. Nevertheless, in order to incorporate potential sensitivities, the Group continues to apply a prudent approach with regard to debtors having benefitted from moratoria and operating/ employed in sensitive economic sectors, which remain primarily in Stage 2 as disclosed in *Significant accounting judgments and estimates* section
- The Stage 3 & POCI portfolio was characterized by a net inflow of 264 MRON from performing portfolios, offset by good recovery performance on already defaulted portfolios of 59 MRON, and portfolio write-off in amount of 68 MRON.

As of June 30, 2021 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 3,964,329 (December 31, 2020: 2,854,386), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts for the Group and Bank to 3,911,414 (December 31, 2020: 3,491,353).

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance

Group Unaudited (*) %	June 30, 2021									
	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	63.6%	57.3%	74.4%	80.2%	66.9%	67.9%	45.0%	11.8%	66.1%	69.9%
Agriculture, forestry and fishing	2.3%	3.7%	3.2%	3.5%	1.5%	1.2%	0.0%	0.0%	2.5%	2.3%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	4.7%	5.4%	7.2%	3.8%	2.9%	3.2%	3.7%	0.3%	5.1%	3.6%
Electricity, gas, steam and air conditioning supply	5.2%	5.4%	0.0%	0.0%	6.4%	2.5%	0.0%	0.0%	4.1%	1.9%
Water supply	0.4%	0.6%	0.1%	0.2%	0.2%	0.2%	0.0%	0.0%	0.3%	0.2%
Construction	1.1%	1.8%	0.5%	0.3%	6.6%	8.0%	0.0%	0.0%	1.2%	4.4%
Wholesale and retail trade	8.0%	9.0%	2.1%	1.0%	3.0%	3.3%	6.9%	11.6%	6.5%	3.3%
Transport and storage	1.8%	3.0%	2.3%	2.3%	0.4%	0.4%	0.2%	0.0%	1.8%	1.4%
Accommodation and food service activities	0.4%	1.4%	1.3%	1.1%	3.6%	4.6%	0.0%	0.0%	0.8%	2.9%
Information and communication	1.6%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	0.2%
Financial institutions	1.9%	2.7%	3.7%	1.3%	0.0%	0.0%	0.0%	0.0%	2.2%	0.8%
Real estate activities	1.1%	2.2%	3.1%	3.5%	1.0%	1.4%	42.5%	73.6%	1.6%	3.5%
Professional, scientific and technical activities	0.4%	0.4%	0.1%	0.1%	2.9%	3.8%	0.0%	0.0%	0.4%	2.0%
Administrative and support service activities	0.1%	0.1%	0.1%	0.0%	0.2%	0.2%	1.6%	2.7%	0.1%	0.2%
Public administration and defence, compulsory social security	6.3%	4.4%	0.6%	0.6%	4.0%	2.7%	0.0%	0.0%	4.9%	2.1%
Education	0.0%	0.0%	0.5%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Human health services and social work activities	0.7%	1.2%	0.2%	0.2%	0.3%	0.3%	0.0%	0.0%	0.6%	0.4%
Arts, entertainment and recreation	0.0%	0.0%	0.6%	1.2%	0.3%	0.3%	0.0%	0.0%	0.1%	0.6%
Other services	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank	June 30, 2021									
	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	63.2%	54.3%	75.0%	80.4%	64.5%	64.7%	45.0%	11.8%	65.8%	68.2%
Agriculture, forestry and fishing	2.0%	3.8%	2.9%	3.4%	0.7%	0.7%	0.0%	0.0%	2.2%	2.0%
Mining and quarrying	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	4.8%	5.8%	7.3%	3.8%	3.2%	3.6%	3.7%	0.3%	5.3%	3.9%
Electricity, gas, steam and air conditioning supply	5.4%	5.8%	0.0%	0.0%	7.1%	2.8%	0.0%	0.0%	4.2%	2.1%
Water supply	0.4%	0.6%	0.1%	0.2%	0.2%	0.2%	0.0%	0.0%	0.3%	0.2%
Construction	1.1%	1.9%	0.5%	0.3%	7.4%	9.1%	0.0%	0.0%	1.2%	4.8%
Wholesale and retail trade	8.2%	9.6%	2.1%	1.0%	3.2%	3.6%	6.9%	11.6%	6.7%	3.5%
Transport and storage	1.6%	3.1%	1.9%	2.0%	0.3%	0.3%	0.2%	0.0%	1.6%	1.3%
Accommodation and food service activities	0.5%	1.5%	1.3%	1.1%	3.9%	5.2%	0.0%	0.0%	0.8%	3.1%
Information and communication	1.7%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	0.2%
Financial institutions	2.1%	2.9%	3.7%	1.3%	0.0%	0.0%	0.0%	0.0%	2.4%	0.8%
Real estate activities	1.1%	2.4%	3.2%	3.5%	1.1%	1.5%	42.5%	73.6%	1.7%	3.8%
Professional, scientific and technical activities	0.4%	0.4%	0.1%	0.1%	3.2%	4.3%	0.0%	0.0%	0.4%	2.2%
Administrative and support service activities	0.1%	0.1%	0.1%	0.0%	0.2%	0.2%	1.6%	2.7%	0.1%	0.2%
Public administration and defence, compulsory social security	6.4%	4.7%	0.6%	0.6%	4.4%	3.0%	0.0%	0.0%	5.1%	2.3%
Education	0.0%	0.0%	0.5%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Human health services and social work activities	0.7%	1.2%	0.2%	0.2%	0.3%	0.4%	0.0%	0.0%	0.6%	0.4%
Arts, entertainment and recreation	0.0%	0.0%	0.6%	1.2%	0.3%	0.3%	0.0%	0.0%	0.1%	0.6%
Other services	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

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

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

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

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Rating analysis of loans

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 accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Rating analysis of loans (continued)

Group	Retail lending				
	June 30, 2021				
Unaudited (*)	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,593,046	9,516	-	-	11,602,562
Good grade	3,728,669	3,337,908	-	-	7,066,577
Standard grade	1,033,070	1,452,083	-	-	2,485,153
Sub-standard grade	-	806,761	-	14,228	820,989
Non- performing	-	-	801,955	12,560	814,515
(out of which) Individual assessment	-	-	45,788	314	46,102
Not rated internally	672,109	18,888	125,543	-	816,541
Total	17,026,894	5,625,156	927,498	26,788	23,606,337
Less allowance	(137,477)	(535,387)	(685,319)	(4,034)	(1,362,216)
Net Carrying amount	16,889,418	5,089,770	242,180	22,754	22,244,121

Group	Non-Retail lending				
	June 30, 2021				
Unaudited (*)	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	1,151,004	-	-	-	1,151,004
Good grade	4,851,439	925,043	-	-	5,776,482
Standard grade	2,546,853	566,855	-	-	3,113,708
Sub-standard grade	7,472	338,932	-	-	346,403
Non- performing	-	-	407,390	32,386	439,776
(out of which) Individual assessment	-	-	358,388	30,222	388,611
Not rated internally	8,556,768	1,830,829	407,390	32,386	10,827,373
Total	8,556,768	1,830,829	407,390	32,386	10,827,373
Less allowance	(95,229)	(125,608)	(287,490)	(30,035)	(538,362)
Net Carrying amount	8,461,538	1,705,221	119,900	2,351	10,289,010

Group	Total				
	June 30, 2021				
Unaudited (*)	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	12,744,050	9,516	-	-	12,753,566
Good grade	8,580,108	4,262,951	-	-	12,843,059
Standard grade	3,579,923	2,018,938	-	-	5,598,861
Sub-standard grade	7,472	1,145,693	-	14,228	1,167,393
Non- performing	-	-	1,209,344	44,946	1,254,291
(out of which) Individual assessment	-	-	404,176	30,536	434,712
Not rated internally	672,109	18,888	125,543	-	816,541
Total	25,583,662	7,455,985	1,334,888	59,174	34,433,710
Less allowance	(232,706)	(660,994)	(972,808)	(34,070)	(1,900,578)
Net Carrying amount	25,350,956	6,794,991	362,080	25,105	32,533,131

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(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Rating analysis of loans (continued)

Bank	Retail lending				
	June 30, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,593,046	9,516	-	-	11,602,562
Good grade	3,728,669	3,337,908	-	-	7,066,577
Standard grade	1,033,070	1,452,083	-	-	2,485,153
Sub-standard grade	-	806,761	-	14,228	820,989
Non- performing	-	-	801,955	12,560	814,515
(out of which) Individual assessment	-	-	45,788	314	46,102
Not rated internally	46,496	-	-	-	46,496
Total	16,401,281	5,606,269	801,955	26,788	22,836,293
Less allowance	(121,331)	(527,951)	(576,376)	(4,035)	(1,229,693)
Net Carrying amount	16,279,950	5,078,317	225,579	22,753	21,606,600

	Non-Retail lending				
	June 30, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	1,151,004	-	-	-	1,151,004
Good grade	4,875,651	922,167	-	-	5,797,818
Standard grade	2,477,201	545,440	-	-	3,022,640
Sub-standard grade	7,472	311,059	-	-	318,531
Non- performing	-	-	401,575	32,386	433,962
(out of which) Individual assessment	-	-	358,388	30,222	388,611
Total	8,511,327	1,778,666	401,575	32,386	10,723,955
Less allowance	(94,904)	(122,887)	(284,014)	(30,035)	(531,840)
Net Carrying amount	8,416,423	1,655,779	117,562	2,351	10,192,115

	Total				
	June 30, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	12,744,050	9,516	-	-	12,753,566
Good grade	8,604,320	4,260,075	-	-	12,864,395
Standard grade	3,510,270	1,997,523	-	-	5,507,793
Sub-standard grade	7,472	1,117,821	-	14,228	1,139,520
Non- performing	-	-	1,203,530	44,946	1,248,477
(out of which) Individual assessment	-	-	404,176	30,536	434,712
Not rated internally	46,496	-	-	-	46,496
Total	24,912,608	7,384,934	1,203,530	59,174	33,560,247
Less allowance	(216,235)	(650,839)	(860,389)	(34,070)	(1,761,533)
Net Carrying amount	24,696,373	6,734,096	343,141	25,105	31,798,715

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(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Rating analysis of loans (continued)

Group	Retail lending				Total
	December 31, 2020				
	Stage 1	Stage 2	Stage 3	POCI	
Gross carrying amount					
Internal rating grade					
Very good grade	11,168,748	10,792	-	-	11,179,540
Good grade	2,809,964	4,030,807	-	-	6,840,771
Standard grade	889,118	1,718,855	-	-	2,607,973
Sub-standard grade	-	929,590	-	14,308	943,898
Non- performing	-	-	676,735	12,080	688,815
(out of which) Individual assessment	-	-	47,792	-	47,792
Not rated internally	695,003	17,883	113,032	-	825,918
Total	15,562,833	6,707,926	789,767	26,388	23,086,915
Less allowance	(136,252)	(597,234)	(572,879)	(3,955)	(1,310,320)
Net Carrying amount	15,426,581	6,110,692	216,888	22,434	21,776,595

Group	Non-Retail lending				Total
	December 31, 2020				
	Stage 1	Stage 2	Stage 3	POCI	
Gross carrying amount					
Internal rating grade					
Very good grade	427,956	-	-	-	427,956
Good grade	3,462,227	876,300	-	-	4,338,527
Standard grade	2,233,275	611,507	-	-	2,844,783
Sub-standard grade	3,524	404,444	-	-	407,968
Non- performing	-	-	394,964	32,936	427,901
(out of which) Individual assessment	-	-	333,215	31,089	364,304
Total	6,126,982	1,892,252	394,964	32,936	8,447,135
Less allowance	(72,613)	(157,710)	(320,906)	(29,502)	(580,731)
Net Carrying amount	6,054,370	1,734,542	74,059	3,434	7,866,404

Group	Total				Total
	December 31, 2020				
	Stage 1	Stage 2	Stage 3	POCI	
Gross carrying amount					
Internal rating grade					
Very good grade	11,596,704	10,792	-	-	11,607,496
Good grade	6,272,191	4,907,107	-	-	11,179,298
Standard grade	3,122,393	2,330,362	-	-	5,452,755
Sub-standard grade	3,524	1,334,034	-	14,308	1,351,866
Non- performing	-	-	1,071,699	45,017	1,116,716
(out of which) Individual assessment	-	-	381,007	31,089	412,096
Not rated internally	695,003	17,883	113,032	-	825,918
Total	21,689,815	8,600,178	1,184,731	59,325	31,534,050
Less allowance	(208,865)	(754,945)	(893,785)	(33,457)	(1,891,051)
Net Carrying amount	21,480,950	7,845,233	290,947	25,868	29,642,999

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(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Rating analysis of loans (continued)

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

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

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

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(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Impairment allowance movement

Group Unaudited (*)	Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2021	136,253	597,234	572,879	3,955	1,310,321
New assets originated or purchased	50,322	13,897	13,318	11	77,549
Assets derecognised or repaid (excluding write offs)	(6,050)	(24,916)	(9,401)	(58)	(40,425)
Net provision movement for assets that did not change classification	(41,366)	13,657	(6,640)	1,439	(32,910)
Movements due to change in classification	(2,216)	(66,323)	124,388	(85)	55,764
Amounts written off	-	-	(11,266)	(1,241)	(12,507)
Other adjustments	533	1,837	2,040	13	4,424
Impairment allowance as at 30 June 2021	137,476	535,386	685,319	4,034	1,362,215
	Non-Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2021	72,612	157,710	320,906	29,502	580,730
New assets originated or purchased	42,030	25,492	3,635	26	71,183
Assets derecognised or repaid (excluding write offs)	(10,150)	(8,459)	(12,313)	-	(30,922)
Net provision movement for assets that did not change classification	(10,545)	(23,141)	1,563	174	(31,949)
Movements due to change in classification	826	(26,910)	26,726	-	641
Amounts written off	-	-	(55,830)	-	(55,830)
Other adjustments	456	917	2,803	334	4,510
Impairment allowance as at 30 June 2021	95,229	125,608	287,490	30,035	538,362
	Total				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2021	208,865	754,944	893,785	33,457	1,891,050
New assets originated or purchased	92,352	39,390	16,953	37	148,731
Assets derecognised or repaid (excluding write offs)	(16,200)	(33,376)	(21,714)	(58)	(71,347)
Net provision movement for assets that did not change classification	(51,911)	(9,484)	(5,077)	1,613	(64,859)
Movements due to change in classification	(1,390)	(93,234)	151,114	(85)	56,405
Amounts written off	-	-	(67,095)	(1,241)	(68,337)
Other adjustments	989	2,754	4,843	347	8,933
Impairment allowance as at 30 June 2021	232,705	660,994	972,808	34,070	1,900,578

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank	Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2021	116,439	588,819	477,017	3,955	1,186,230
New assets originated or purchased	50,244	12,255	1,005	11	63,516
Assets derecognised or repaid (excluding write offs)	(6,040)	(24,915)	(9,357)	(58)	(40,369)
Net provision movement for assets that did not change classification	(41,260)	13,559	(7,567)	1,439	(33,829)
Movements due to change in classification	1,417	(63,603)	124,356	(85)	62,085
Amounts written off	-	-	(11,072)	(1,241)	(12,313)
Other adjustments	531	1,836	1,994	13	4,374
Impairment allowance as at 30 June 2021	121,331	527,952	576,376	4,034	1,229,693
	Non-Retail lending				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2021	72,115	154,895	318,100	29,502	574,612
New assets originated or purchased	41,982	24,806	3,635	26	70,448
Assets derecognised or repaid (excluding write offs)	(10,143)	(8,434)	(12,289)	-	(30,866)
Net provision movement for assets that did not change classification	(9,705)	(23,061)	991	174	(31,601)
Movements due to change in classification	211	(26,208)	26,638	-	641
Amounts written off	-	-	(55,830)	-	(55,830)
Other adjustments	443	889	2,769	334	4,435
Impairment allowance as at 30 June 2021	94,904	122,887	284,014	30,035	531,839
	Total				Total
	Stage 1	Stage 2	Stage 3	POCI	
Impairment allowance as at 1 st January 2021	188,554	743,714	795,117	33,457	1,760,842
New assets originated or purchased	92,226	37,062	4,640	37	133,964
Assets derecognised or repaid (excluding write offs)	(16,182)	(33,349)	(21,646)	(58)	(71,235)
Net provision movement for assets that did not change classification	(50,965)	(9,502)	(6,577)	1,613	(65,430)
Movements due to change in classification	1,628	(89,810)	150,994	(85)	62,726
Amounts written off	-	-	(66,902)	(1,241)	(68,143)
Other adjustments	974	2,724	4,763	347	8,809
Impairment allowance as at 30 June 2021	216,235	650,838	860,389	34,070	1,761,532

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Impairment allowance movement (continued)

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

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

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

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank	Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2020	157,955	322,838	503,580	3,391	987,765
New assets originated or purchased	69,055	18,342	794	19	88,211
Assets derecognised or repaid (excluding write offs)	(21,835)	(20,767)	(69,804)	(286)	(112,692)
Net provision movement for assets that did not change classification	(53,136)	81,591	5,796	1,147	35,397
Movements due to change in classification	(36,045)	183,438	129,186	296	276,875
Amounts written off	-	-	(95,545)	(631)	(96,176)
Other adjustments	444	3,377	3,011	19	6,851
Impairment allowance as at 31 December 2020	116,439	588,819	477,017	3,955	1,186,230
	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2020	35,587	61,187	365,211	38,987	500,971
New assets originated or purchased	29,349	24,695	1,349	52	55,445
Assets derecognised or repaid (excluding write offs)	(9,999)	(5,382)	(38,565)	(247)	(54,192)
Net provision movement for assets that did not change classification	21,914	5,227	(39,660)	(3,471)	(15,990)
Movements due to change in classification	(5,811)	68,682	48,401	(5,521)	105,750
Amounts written off	-	(0)	(19,700)	(338)	(20,038)
Other adjustments	1,074	486	1,065	40	2,665
Impairment allowance as at 31 December 2020	72,115	154,895	318,100	29,502	574,612
	Total				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2020	193,542	384,025	868,791	42,378	1,488,736
New assets originated or purchased	98,405	43,037	2,143	71	143,656
Assets derecognised or repaid (excluding write offs)	(31,834)	(26,149)	(108,369)	(533)	(166,885)
Net provision movement for assets that did not change classification	(31,222)	86,818	(33,865)	(2,324)	19,407
Movements due to change in classification	(41,856)	252,120	177,587	(5,226)	382,625
Amounts written off	-	(0)	(115,245)	(969)	(116,214)
Other adjustments	1,519	3,862	4,075	59	9,516
Impairment allowance as at 31 December 2020	188,554	743,714	795,117	33,457	1,760,842

The sensitivity assessment of ECL to key inputs shows that a +/- 1 p.p. change in LGD would result in an increase/ decrease of ECL with 37.9 MRON.

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

- A change of +/- 1 p.p. of the optimistic scenario weight correlated with a +/- 1 p.p. change in base scenario weight, will generate an ECL decrease/ increase of 0.6 MRON
- A change of +/- 1 p.p. of the pessimistic scenario weight correlated with a +/- 1 p.p. change in base scenario weight, will generate an ECL increase/ decrease of 3.5 MRON

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

9. 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	
	Unaudited (*)	
	June 30, 2021	December 31, 2020
Gross investment in finance lease:		
Under 1 year	518,670	496,655
Between 1 and 5 years	773,625	712,998
Higher than 5 years	8,731	9,135
	1,301,026	1,218,788
Unearned finance income	(74,306)	(71,568)
Net investment in finance lease	1,226,720	1,147,220
Net investment in finance lease:		
Under 1 year	483,296	462,601
Between 1 and 5 years	734,948	675,885
Higher than 5 years	8,477	8,734
	1,226,721	1,147,220
	June 30, 2021	December 31, 2020
Net investment in the lease	1,226,721	1,147,220
Accumulated allowance for uncollectible minimum lease payments receivable	(86,919)	(80,321)
Total	1,139,802	1,066,899

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended **June 30, 2021**
(Amounts in thousands RON)

9. Finance lease receivables (continued)

Rating analysis of finance lease receivables

	Retail			
	June 30, 2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Not rated internally	297,877	59,482	46,125	403,485
Total	297,877	59,482	46,125	403,485
Less allowance	(984)	(3,110)	(21,375)	(25,468)
Net Carrying amount	296,893	56,372	24,751	378,017

	Non-Retail			
	June 30, 2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Internal rating grade				
Good grade	101,268	70,496	-	171,764
Standard grade	361,747	123,764	-	485,512
Sub-standard grade	-	67,388	-	67,388
Non- performing	-	-	74,233	74,233
Not rated internally	10,449	13,469	422	24,340
Total	473,465	275,117	74,655	823,237
Less allowance	(1,775)	(14,496)	(45,180)	(61,451)
Net Carrying amount	471,690	260,621	29,474	761,785

	Total			
	June 30, 2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Internal rating grade				
Good grade	101,268	70,496	-	171,764
Standard grade	361,747	123,764	-	485,512
Sub-standard grade	-	67,388	-	67,388
Non- performing	-	-	74,233	74,233
Not rated internally	308,326	72,951	46,547	427,824
Total	771,342	334,599	120,780	1,226,721
Less allowance	(2,758)	(17,606)	(66,555)	(86,919)
Net Carrying amount	768,584	316,993	54,225	1,139,802

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

9. Finance lease receivables (continued)

Rating analysis of finance lease receivables (continued)

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

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

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

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

9. Finance lease receivables (continued)

Impairment allowance movement

	Retail			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1 st January 2021	1,291	1,927	16,476	19,694
New assets originated or purchased	333	821	381	1,535
Assets derecognised or fully repaid (excluding write offs)	(63)	(96)	(570)	(729)
Movements due to change in classification	179	(891)	712	-
Net movement for assets that did not change classification	(769)	1,338	5,187	5,756
Amounts written off	-	-	(983)	(983)
Foreign exchange and other adjustments	14	10	171	194
Impairment allowance as at 30 June 2021	984	3,110	21,375	25,468

	Non-retail			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1 st January 2021	2,710	16,352	41,566	60,627
New assets originated or purchased	470	2,598	103	3,171
Assets derecognised or fully repaid (excluding write offs)	(100)	(482)	(93)	(675)
Movements due to change in classification	1,534	(2,839)	1,305	-
Net movement for assets that did not change classification	(2,880)	(1,216)	3,161	(935)
Amounts written off	(0)	-	(707)	(707)
Foreign exchange and other adjustments	41	83	(154)	(30)
Impairment allowance as at 30 June 2021	1,775	14,496	45,180	61,452

	Total			Total
	Stage 1	Stage 2	Stage 3	
Impairment allowance as at 1 st January 2021	4,000	18,280	58,042	80,322
New assets originated or purchased	803	3,420	484	4,707
Assets derecognised or fully repaid (excluding write offs)	(162)	(578)	(664)	(1,404)
Movements due to change in classification	1,712	(3,730)	2,018	-
Net movement for assets that did not change classification	(3,649)	122	8,349	4,821
Amounts written off	(0)	-	(1,690)	(1,690)
Foreign exchange and other adjustments	55	93	17	164
Impairment allowance as at 30 June 2021	2,759	17,606	66,555	86,920

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

9. Finance lease receivables (continued)

Impairment allowance movement (continued)

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

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

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

As at June 30, 2021 and December 31, 2020, the future minimum lease receipts regarding operating leases (rents) concluded by the Group and Bank as a lessor are:

	Group		Bank	
	Unaudited (*) June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Less than one year	376	519	376	519
Between one and five years	427	470	427	470
More than five years	219	252	219	252
Total	1,022	1,241	1,022	1,241

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

10. Financial assets at fair value through profit or loss

	Group		Bank	
	Unaudited (*) June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Equity investments	7,176	39,747	7,176	39,747
Other securities	-	45,493	-	18,637
Total	7,176	85,240	7,176	58,384

Equity investments

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

In April 2021 the Bank sold to Societe Generale its entire interest into VISA shares through a bilateral stock purchase agreement, for a total price of 8,989,145 USD.

Other securities

In June 2021 the Group and Bank sold its entire investment in other securities for a total price of 21,562,704 RON at Bank level and a total of 48,709,185 RON at Group level.

The Group fund units as at December 31, 2020:

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

The Bank fund units as at December 31, 2020:

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

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

11. 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 15,792,796 rated as BBB- by Standard&Poors, bonds issued by French State in amount of 685,804 rated as AA by Standard&Poors and bonds issued by the Belgian State in amount of 705,362 rated as AA by Standard&Poors.

As at June 30, 2021, these financial assets at fair value through other comprehensive income are classified as Stage 1 and ECL impairment allowance amounts to 3,089 (December 31, 2020: 2,681).

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

12. Property, plant and equipment

	Group						Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	
Cost:							
as of December 31, 2019	1,323,332	37,222	241,667	510,247	71,291	492,925	2,676,684
Additions	131	-	1,102	224	78,064	34,134	113,655
Transfers	8,488	5,762	31,876	33,035	(79,161)	-	-
Disposals	(34,869)	(2,547)	(12,487)	(24,844)	(16,237)	(73,243)	(164,227)
as of December 31, 2020	1,297,082	40,437	262,158	518,662	53,957	453,816	2,626,112
Additions	-	-	404	-	58,641	27,222	86,267
Transfers	13,307	-	22,385	6,805	(42,497)	-	-
Transfers into/from inventory	(782)	(331)	-	-	-	-	(1,113)
Disposals	(8,202)	(552)	(4,687)	(38,250)	(11,407)	(15,879)	(78,977)
as of June 30, 2021 Unaudited	1,301,405	39,554	280,260	487,217	58,694	465,159	2,632,289
Depreciation and impairment:							
as of December 31, 2019	(773,954)	(19,403)	(179,944)	(406,295)	-	(85,769)	(1,465,365)
Depreciation	(37,489)	(656)	(28,289)	(32,815)	-	(91,120)	(190,369)
Impairment	611	-	-	339	(1,954)	-	(1,004)
Disposals	21,694	684	12,461	22,052	-	57,389	114,280
Transfers	3,346	(3,264)	(32)	(50)	-	-	-
as of December 31, 2020	(785,792)	(22,639)	(195,804)	(416,769)	(1,954)	(119,500)	(1,542,458)
Depreciation	(18,313)	(320)	(14,302)	(16,388)	-	(44,658)	(93,981)
Impairment	(148)	-	-	173	-	-	25
Disposals	7,207	552	4,611	36,547	-	28,220	77,137
as of June 30, 2021 Unaudited	(797,046)	(22,407)	(205,495)	(396,437)	(1,954)	(135,938)	(1,559,277)
Net book value:							
as of December 31, 2019	549,378	17,819	61,723	103,952	71,291	407,156	1,211,319
as of December 31, 2020	511,290	17,798	66,354	101,893	52,003	334,316	1,083,654
as of June 30, 2021 Unaudited	504,359	17,147	74,765	90,780	56,740	329,221	1,073,012

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

12. Property, plant and equipment (continued)

The Group and Bank holds investment property as a consequence of the ongoing rationalisation of its retail branch network. Investment properties comprise a number of commercial properties that are leased to third parties. The investment properties have a fair value of 12,563 as at June 30, 2021 (December 31, 2020: 12,883). The fair value has been determined based on a valuation by an independent valuer in 2020. Rental income from investment property of 371 (June 30, 2020: 501) 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, 2019	1,313,220	37,222	233,669	509,650	71,292	476,704	2,641,756
Additions	131	-	-	14	78,065	32,937	111,147
Transfers	8,489	5,762	31,876	33,036	(79,165)	-	(2)
Disposals	(34,869)	(2,547)	(12,385)	(24,608)	(16,237)	(73,242)	(163,888)
as of December 31, 2020	1,286,971	40,437	253,160	518,092	53,955	436,399	2,589,013
Additions	-	-	-	-	58,641	23,217	81,858
Transfers	13,307	-	22,385	6,805	(42,497)	-	-
Transfers into/from inventory	(782)	(331)	-	-	-	-	(1,113)
Disposals	(8,202)	(552)	(4,533)	(38,246)	(11,407)	(15,840)	(78,780)
as of June 30, 2021	1,291,294	39,554	271,012	486,651	58,692	443,776	2,590,978
Depreciation and impairment:							
as of December 31, 2019	(768,981)	(19,403)	(174,038)	(406,025)	-	(80,218)	(1,448,665)
Depreciation	(37,238)	(655)	(27,305)	(32,774)	-	(85,192)	(183,164)
Impairment	611	-	-	339	(1,954)	-	(1,004)
Disposals	21,694	684	12,385	22,049	-	57,391	114,203
Transfers	3,347	(3,264)	(32)	(51)	-	-	-
as of December 31, 2020	(780,567)	(22,638)	(188,990)	(416,462)	(1,954)	(108,019)	(1,518,630)
Depreciation	(18,187)	(320)	(13,756)	(16,364)	-	(41,643)	(90,270)
Impairment	(148)	-	-	173	-	-	25
Disposals	7,204	552	4,533	36,545	-	28,181	77,015
as of June 30, 2021	(791,698)	(22,406)	(198,213)	(396,108)	(1,954)	(121,481)	(1,531,860)
Net book value:							
as of December 31, 2019	544,239	17,819	59,631	103,625	71,292	396,486	1,193,091
as of December 31, 2020	506,404	17,799	64,170	101,630	52,001	328,380	1,070,383
as of June 30, 2021	499,596	17,148	72,799	90,543	56,738	322,295	1,059,118

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

12. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
Unaudited (*)				
as of January 1, 2021	323,403	5,510	5,403	334,316
Additions	11,161	1,314	9,302	21,777
Depreciation expense	(40,743)	(1,329)	(2,586)	(44,658)
Disposals and other decreases	12,341	-	-	12,341
Contractual changes	5,378	67	-	5,445
as of June 30, 2021	311,540	5,562	12,119	329,221
	Lease liabilities			
as of January 1, 2021	342,813			
Additions	21,776			
Disposals and other decreases	(9,014)			
Other movements (FX, other contractual changes)	29,029			
Interest expense	2,129			
Payments	(47,189)			
as of June 30, 2021	339,544			
Bank				
	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2021	319,395	4,514	4,471	328,380
Additions	11,161	1,314	9,200	21,675
Depreciation expense	(38,109)	(1,329)	(2,205)	(41,643)
Disposals and other decreases	12,341	-	-	12,341
Contractual changes	1,542	-	-	1,542
as of June 30, 2021	306,330	4,499	11,466	322,295
	Lease liabilities			
as of January 1, 2021	336,838			
Additions	21,674			
Disposals and other decreases	(8,559)			
Other movements (FX, other contractual changes)	24,719			
Interest expense	2,071			
Payments	(44,179)			
as of June 30, 2021	332,564			

The accompanying notes are an integral part of this financial statements

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

12. Property, plant and equipment (continued)

Group	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2020	391,651	6,087	9,418	407,156
Additions	8,625	598	557	9,780
Depreciation expense	(84,082)	(2,441)	(4,597)	(91,120)
Disposals and other decreases	(16,230)	351	25	(15,854)
Contractual changes	23,439	915	-	24,354
as of December 31, 2020	323,403	5,510	5,403	334,316
	Lease liabilities			
as of January 1, 2020	417,309			
Additions	9,779			
Disposals and other decreases	(30,829)			
Other movements (FX, other contractual changes)	16,513			
Interest expense	4,959			
Payments	(74,918)			
as of December 31, 2020	342,813			
	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2020	382,680	6,087	7,719	396,486
Additions	8,586	598	431	9,615
Depreciation expense	(79,047)	(2,441)	(3,704)	(85,192)
Disposals and other decreases	(16,227)	351	25	(15,851)
Contractual changes	23,403	(81)	-	23,322
as of December 31, 2020	319,395	4,514	4,471	328,380
	Lease liabilities			
as of January 1, 2020	406,523			
Additions	9,614			
Disposals and other decreases	(25,830)			
Other movements (FX, other contractual changes)	10,851			
Interest expense	4,848			
Payments	(69,168)			
as of December 31, 2020	336,838			

The accompanying notes are an integral part of this financial statements

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

13. 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 became 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 June 30, 2021, the branch had a number of 3,392 active customers (2020: 3,433), with loans representing approximately 13 % from total loans managed by the network (2020: 13%) and with deposits representing about 13 % of networks’ deposits (2020: 13%). 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.

14. Intangible assets

The balance of the intangible assets as of June 30, 2021 and December 31, 2020 represents mainly software.

	Group	Bank
Cost:		
as of December 31, 2019	611,614	579,732
Additions	117,645	116,377
Disposals	(427)	-
as of December 31, 2020	<u>728,832</u>	<u>696,109</u>
Additions	45,193	44,724
Disposals	(1,238)	-
as of June 30, 2021	<u>772,787</u>	<u>740,833</u>
Amortization:		
as of December 31, 2019	(426,325)	(398,308)
Amortization expense	(55,128)	(53,502)
as of December 31, 2020	<u>(481,453)</u>	<u>(451,810)</u>
Amortization expense	(29,015)	(28,341)
Disposals	64	-
as of June 30, 2021	<u>(510,404)</u>	<u>(480,151)</u>
Net book value:		
as of December 31, 2019	185,289	181,424
as of December 31, 2020	247,379	244,299
as of June 30, 2021	262,383	260,682

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

15. Other assets

	Group		Bank	
	Unaudited (*)		June 30, 2021	December 31, 2020
	June 30, 2021	December 31, 2020		
Advances to suppliers	71,433	49,052	-	-
Sundry receivable	221,969	177,748	211,476	167,833
Prepaid expenses	47,600	43,293	37,902	34,748
Repossessed assets	6,069	6,698	4,298	5,171
Other assets	13,473	16,276	4,966	9,931
Total	360,545	293,067	258,642	217,683

The sundry receivables balances includes various commissions, sundry debtors, dividends and are net of impairment allowance, which at Group level is 148,204 (December 31, 2020: 117,001) and at Bank level is 138,394 (December 31, 2020: 107,223). In addition, sundry receivable include an amount of 43,108 (December 31, 2020: 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 June 30, 2021 the carrying value of repossessed assets for Group is 6,069 (December 31, 2020: 6,698). As of June 30, 2021 the carrying value of repossessed assets for Bank is 4,298 (December 31, 2020: 5,171), representing 0 residential buildings (December 31, 2020: 8 residential buildings). The residential buildings were reclassified into category Non-current assets held for sale.

Group Unaudited (*)	Total (Stage3)
Sundry receivables	
Impairment allowance as at January 1, 2021	117,001
Additional expenses	39,882
Reversals of provisions	(6,738)
Receivables written off	(1,350)
Foreign exchange adjustments	(591)
Impairment allowance as at June 30, 2021	148,204
	Total (Stage3)
Impairment allowance as at 1 st January 2020	88,787
Additional expenses	52,176
Reversals of provisions	(21,420)
Receivables written off	(2,441)
Foreign exchange adjustments	(101)
Impairment allowance as at 31 December 2020	117,001

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

15. Other assets (continued)

Bank	Total (Stage3)
Sundry receivables	
Impairment allowance as at January 1, 2021	107,223
Additional expenses	38,883
Reversals of provisions	(6,386)
Receivables written off	(703)
Foreign exchange adjustments	(623)
Impairment allowance as at June 30, 2021	138,394
	Total (Stage3)
Impairment allowance as at 1 st January 2020	78,491
Additional expenses	51,460
Reversals of provisions	(19,769)
Receivables written off	(2,441)
Foreign exchange adjustments	(518)
Impairment allowance as at 31 December 2020	107,223

16. Due to banks

	Group		Bank	
	Unaudited (*)			
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Demand deposits	460,472	173,678	460,472	173,678
Term deposits	24,649	25,333	24,649	25,333
Due to banks	485,121	199,011	485,121	199,011

17. Due to customers

	Group		Bank	
	Unaudited (*)			
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Demand deposits	41,561,799	38,464,257	41,697,373	38,572,697
Term deposits	11,445,484	11,493,497	11,511,189	11,579,429
Due to customers	53,007,283	49,957,754	53,208,562	50,152,126

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

18. Borrowed funds

	Group		Bank	
	Unaudited (*)		June 30, 2021	December 31, 2020
	June 30, 2021	December 31, 2020		
Borrowings from related parties	1,486,335	1,408,308	138	190
Borrowings from international financial institutions	274,468	334,044	4,730	6,575
Total	1,760,803	1,742,352	4,868	6,765

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

19. 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 June 30, 2021 the Group has a current tax liability in total amount of 62,761 (December 31, 2020: 2,069) and 0 current tax asset (December 31, 2020: 4,911). The deferred tax liability/asset is reconciled as follows:

	Group June 30, 2021 Unaudited (*)			
	Temporary differences Asset / (Liability)	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Elements generating deferred tax</i>				
Defined benefit obligation	18,122	(2,900)	-	-
Investments and other securities	631,113	(100,978)	-	48,803
Tangible and intangible assets	(124,228)	19,876	(1,763)	-
Provisions and other liabilities	(585,841)	93,735	(9,687)	-
Taxable items	(60,834)			
Deferred tax		9,734	(11,449)	48,802

	Bank June 30, 2021			
	Temporary differences Asset / (Liability)	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Elements generating deferred tax</i>				
Defined benefit obligation	18,122	(2,900)	-	-
Investments and other securities	631,113	(100,978)	-	48,803
Tangible and intangible assets	(124,360)	19,898	(1,769)	-
Provisions and other liabilities	(515,838)	82,534	(10,573)	-
Taxable items	9,037			
Deferred tax		(1,446)	(12,342)	48,803

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

19. Taxation (continued)

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

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

Movement in deferred tax is as follows:

	Group	Bank
Deferred tax asset, net as of December 31, 2019	88,955	83,113
Deferred tax recognized in other comprehensive income	(119,071)	(119,071)
Deferred tax recognized in profit and loss	2,496	(1,949)
Deferred tax liability, net as of December 31, 2020	(27,620)	(37,907)
Deferred tax recognized in other comprehensive income	48,803	48,803
Deferred tax recognized in profit and loss	(11,449)	(12,342)
Deferred tax asset / (liability), net as of June 30, 2021	9,734	(1,446)

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

19. Taxation (continued)

Reconciliation of total tax charge

	Group Unaudited (*)		Bank	
	Six months ended June 30, 2021	Six months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Profit before income tax	751,175	487,397	750,798	474,821
Income tax (16%)	120,188	77,984	120,128	75,971
Fiscal credit	(3,272)	(12,345)	(2,879)	(11,120)
Non-deductible elements	16,435	10,919	9,689	7,200
Non-taxable elements	(8,012)	(3,839)	(4,839)	(2,262)
Expense from income tax at effective tax rate	125,339	72,719	122,099	69,789
Effective tax rate	16.7%	14.9%	16.3%	14.7%

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

At the Bank level, as at June 30, 2021, permanent non-deductible elements include the impact of provisions for overdue commissions 4,774 (June 30, 2020: 3,810), sponsorship expenses with an impact of 445 (June 30, 2020: 894), and debt sales and other operations with limited deductibility in amount of 1,222 (June 30, 2020: 491); permanent non-taxable elements are mainly a result of releases for provisions for over-due commissions in amount of 991 (June 30, 2020: 758), provisions and risk and charges/litigations 20 (June 30, 2020: 238) and dividends with an impact of 3,257 (June 30, 2020: 1,069).

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

20.1 Provisions

The line Provisions includes provisions for financial guarantee and loan commitments and Other provisions.

Financial guarantees and loan commitments provisions movement

Group Unaudited (*)	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2021	3,924	3,080	3,255	10,259
New commitments originated or purchased	4,997	770	468	6,235
Commitments derecognised or transferred into assets	(300)	(153)	(29)	(482)
Net provision movement not resulting from changes in classification	(4,443)	(534)	59	(4,918)
Movements due to change in classification	(242)	(702)	(962)	(1,906)
Other adjustments	1	2	2	5
Provision as at 30 June 2021	3,937	2,463	2,793	9,193
	Non-Retail			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2021	32,754	52,854	272,841	358,449
New commitments originated or purchased	23,902	9,424	1,858	35,184
Commitments derecognised or transferred into assets	(8,110)	(5,794)	(10,618)	(24,522)
Net provision movement not resulting from changes in classification	(11,457)	(13,594)	(46,799)	(71,850)
Movements due to change in classification	2,088	(6,874)	(3,584)	(8,370)
Other adjustments	189	369	2,010	2,568
Provision as at 30 June 2021	39,366	36,385	215,708	291,459
	Total			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2021	36,678	55,934	276,096	368,707
New commitments originated or purchased	28,899	10,194	2,326	41,419
Commitments derecognised or transferred into assets	(8,410)	(5,947)	(10,647)	(25,004)
Net provision movement not resulting from changes in classification	(15,900)	(14,128)	(46,740)	(76,768)
Movements due to change in classification	1,846	(7,576)	(4,546)	(10,276)
Other adjustments	190	371	2,012	2,573
Provision as at 30 June 2021	43,303	38,848	218,501	300,651

The accompanying notes are an integral part of this financial statements

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

20.1 Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Bank	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2021	3,913	3,080	3,255	10,248
New commitments originated or purchased	4,985	716	468	6,169
Commitments derecognised or transferred into assets	(287)	(153)	(29)	(469)
Net provision movement not resulting from changes in classification	(4,443)	(534)	59	(4,918)
Movements due to change in classification	(242)	(702)	(962)	(1,906)
Other adjustments	1	-	1	2
Provision as at 30 June 2021	3,927	2,407	2,792	9,126
	Non-Retail			
	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 st January 2021	32,727	52,784	285,417	370,928
New commitments originated or purchased	23,872	8,781	1,858	34,511
Commitments derecognised or transferred into assets	(8,085)	(5,658)	(10,618)	(24,361)
Net provision movement not resulting from changes in classification	(11,456)	(13,595)	(46,799)	(71,850)
Movements due to change in classification	2,088	(6,873)	(3,584)	(8,369)
Other adjustments	187	342	1,532	2,061
Provision as at 30 June 2021	39,333	35,781	227,806	302,920
	Total			
	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 st January 2021	36,640	55,864	288,672	381,176
New commitments originated or purchased	28,857	9,497	2,326	40,680
Commitments derecognised or transferred into assets	(8,372)	(5,811)	(10,647)	(24,830)
Net provision movement not resulting from changes in classification	(15,899)	(14,129)	(46,740)	(76,768)
Movements due to change in classification	1,846	(7,575)	(4,546)	(10,275)
Other adjustments	188	342	1,533	2,063
Provision as at 30 June 2021	43,260	38,188	230,598	312,046

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

20.1 Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Group	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2020	2,166	2,045	2,555	6,766
New commitments originated or purchased	5,659	1,302	124	7,085
Commitments derecognised or transferred into assets	(339)	(621)	(211)	(1,171)
Net provision movement not resulting from changes in classification	(3,757)	231	(264)	(3,790)
Movements due to change in classification	193	121	1,040	1,354
Other adjustments	2	2	11	15
Provision as at 31 December 2020	3,924	3,080	3,255	10,259
	Non-Retail			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2020	10,190	31,173	328,242	369,605
New commitments originated or purchased	20,558	17,531	7,987	46,076
Commitments derecognised or transferred into assets	(4,841)	(1,326)	(81,044)	(87,211)
Net provision movement not resulting from changes in classification	8,180	(9,089)	13,643	12,734
Movements due to change in classification	(1,542)	14,459	2,230	15,147
Other adjustments	209	106	1,783	2,098
Provision as at 31 December 2020	32,754	52,854	272,841	358,449
	Total			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2020	12,356	33,218	330,798	376,372
New commitments originated or purchased	26,217	18,833	8,111	53,161
Commitments derecognised or transferred into assets	(5,180)	(1,947)	(81,255)	(88,382)
Net provision movement not resulting from changes in classification	4,423	(8,858)	13,379	8,944
Movements due to change in classification	(1,349)	14,580	3,270	16,501
Other adjustments	211	108	1,794	2,113
Provision as at 31 December 2020	36,678	55,934	276,097	368,709

The accompanying notes are an integral part of this financial statements

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

20.1 Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Bank	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
Provision as at 1 st January 2020	2,160	2,037	2,555	6,752
New commitments originated or purchased	5,647	1,302	124	7,073
Commitments derecognised or transferred into assets	(333)	(613)	(211)	(1,157)
Net provision movement not resulting from changes in classification	(3,756)	231	(264)	(3,789)
Movements due to change in classification	193	121	1,040	1,354
Other adjustments	2	2	11	15
Provision as at 31 December 2020	3,913	3,080	3,255	10,248
	Non-Retail			
	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 st January 2020	10,105	31,113	341,449	382,667
New commitments originated or purchased	20,531	17,400	7,987	45,918
Commitments derecognised or transferred into assets	(4,755)	(1,191)	(81,044)	(86,990)
Net provision movement not resulting from changes in classification	8,193	(9,094)	13,643	12,742
Movements due to change in classification	(1,556)	14,477	2,230	15,151
Other adjustments	209	79	1,152	1,440
Provision as at 31 December 2020	32,727	52,784	285,417	370,928
	Total			
	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 st January 2020	12,265	33,150	344,004	389,419
New commitments originated or purchased	26,178	18,702	8,111	52,991
Commitments derecognised or transferred into assets	(5,088)	(1,804)	(81,255)	(88,147)
Net provision movement not resulting from changes in classification	4,437	(8,863)	13,379	8,953
Movements due to change in classification	(1,363)	14,598	3,270	16,505
Other adjustments	211	81	1,163	1,455
Provision as at 31 December 2020	36,640	55,864	288,672	381,176

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

20.1 Provisions (continued)

The line Provisions includes also Other provisions representing provisions for litigation in amount of 15,124 as of June 30, 2021 (15,491 as of December 31, 2020) and provisions for risks related to banking activity in amount of 10,353 as of June 30, 2021 (10,359 as of December 31, 2020).

The movement in other provisions is as follows:

Group	TOTAL
Carrying value as of December 31,2019	52,005
Additional expenses	35,890
Reversals of provisions	(11,700)
Usage	(2,802)
Carrying value as of December 31,2020	73,393
Additional expenses	3,129
Reversals of provisions	(4,322)
Usage	(2,171)
Carrying value as of June 30, 2021 Unaudited	70,029
Bank	
Carrying value as of December 31,2019	47,075
Additional expenses	19,725
Reversals of provisions	(9,645)
Usage	(2,739)
Carrying value as of December 31,2020	54,416
Additional expenses	3,127
Reversals of provisions	(4,322)
Usage	(2,167)
Carrying value as of June 30, 2021	51,054

20.2 Other liabilities

	Group		Bank	
	Unaudited (*)			
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Sundry creditors	220,086	235,462	141,830	178,249
Other payables to State budget	29,518	48,366	28,106	46,994
Deferred income	34,707	24,045	34,609	24,045
Payables to employees	132,414	154,132	125,449	145,250
Creditors - Lease liabilities	339,544	342,813	332,564	336,838
Total	756,269	804,818	662,558	731,376

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 42,147 as of June 30, 2021 (December 31, 2020: 61,122) and post-employment benefits amounting 67,425 as of June 30, 2021 (December 31, 2020: 65,651).

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 2021, the movements in defined benefit obligation is generated by the service cost and benefits paid resulting in a change of obligation carrying value: 67,425 as of June 30, 2021 from 65,651 as of December 31, 2020.

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

21. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2020: 696,901). Included in the share capital there is an amount of 1,818,721 (2020: 1,818,721) representing hyperinflation restatement surplus.

Share capital as of June 30, 2021 represents 696,901,518 (2020: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2020: RON 1). During 2021 and 2020, the Bank did not buy back any of its own shares.

22. Interest and similar income

	Group Unaudited (*)		Bank	
	Six months ended	Six months ended June	Six months ended	Six months ended June
	June 30, 2021	30, 2020	June 30, 2021	30, 2020
Interest on loans	789,886	852,978	741,212	797,756
Interest on finance lease	26,035	22,611	-	-
Interest on deposit with banks	10,974	16,378	10,648	16,043
Interest on financial assets at FVOCI	253,661	231,312	253,661	231,312
Interest from hedging instruments	9,617	7,579	9,617	7,579
Total	1,090,173	1,130,858	1,015,138	1,052,690

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 25,448 for Bank (2020: 32,112) and of 28,362 for Group (2020: 36,189).

23. Interest and similar expense

	Group Unaudited (*)		Bank	
	Six months ended	Six months ended	Six months ended	Six months ended
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Interest on term deposits	36,577	42,924	36,923	43,286
Interest on demand deposits	26,770	29,321	27,312	30,065
Interest on borrowings	11,234	14,120	7	3
Interest expense on lease liabilities	2,129	2,614	2,071	2,552
Total	76,710	88,979	66,313	75,906

24. Fees and commissions, net

	Group Unaudited (*)		Bank	
	Six months ended	Six months ended June	Six months ended	Six months ended June
	June 30, 2021	30, 2020	June 30, 2021	30, 2020
Services	304,977	271,588	298,172	264,859
Management fees	55,709	54,621	55,709	54,621
Packages	27,407	25,209	27,407	25,209
Transfers	35,931	33,937	35,931	33,937
OTC withdrawal	32,749	26,388	32,749	26,388
Cards	105,669	90,484	105,669	90,484
Brokerage and custody	24,516	18,747	24,516	18,747
Other	22,996	22,202	16,191	15,473
Loan activity	56,106	46,341	45,170	33,512
Off balance sheet	16,774	14,632	16,774	14,632
Total	377,857	332,561	360,116	313,003

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

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

	Group		Bank	
	Unaudited (*)		Six months ended June 30, 2021	Six months ended June 30, 2020
	Six months ended June 30, 2021	Six months ended June 30, 2020		
FX position revaluation	(893)	(8,453)	(893)	(8,453)
FX Spot	86,573	77,696	86,273	77,023
Gain on instruments held for trading	21,147	18,822	21,147	18,822
Derivative financial instruments	21,247	48,623	21,246	48,623
Gain/ (loss) on interest rate derivatives	(2,457)	4,057	(2,457)	4,057
Gain/ (loss) on currency and interest swap	3,658	2,163	3,658	2,163
Gain on forward foreign exchange contracts	13,911	41,121	13,911	41,121
Gain on currency options	2,109	2,606	2,109	2,606
Gain/ (loss) on hedging	4,075	(289)	4,075	(289)
Other	(49)	(1,037)	(50)	(1,037)
Gain on derivative, other financial instruments held for trading and foreign exchange	128,074	136,688	127,773	136,014

26. Other income/expense from banking activities

	Group		Bank	
	Unaudited (*)		Six months ended June 30, 2021	Six months ended June 30, 2020
	Six months ended June 30, 2021	Six months ended June 30, 2020		
Dividend income	-	-	15,966	-
Provision for risk and other charges	(1,451)	352	(1,323)	323
Provision for litigations	358	(708)	367	(708)
Held for sale fixed assets expenses	(2,258)	(610)	(1,902)	(175)
Other income/(expenses)	2,790	1,720	(306)	(514)
Total income / (expense) from banking activity	(561)	754	12,802	(1,074)

For the Bank, other income includes dividends from subsidiaries in amount of 15,966 as of June 30, 2021 (0 as of June 30, 2020) and income from banking activities offered to the clients.

27. 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 2021 the expense related to the Deposit Guarantee Fund amounts to 11,547 (2020: 14,403).

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.

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

27. 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 2021 the expense related to the Bank Resolution Fund was 37,949 (2020: 29,088).

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.

28. Personnel expenses

	Group Unaudited (*)		Bank	
	Six months ended June 30, 2021	Six months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
	Salaries	365,059	371,575	340,852
Social security	8,876	8,725	8,151	8,314
Bonuses	26,949	26,070	25,820	24,787
Post-employment benefits	2,577	2,398	2,577	2,398
Other	4,141	3,522	3,557	3,893
Total	407,603	412,291	380,957	385,401

In 2021, the expense related to the Bank defined benefit plan contribution was 1,248 (June 30, 2020: 1,552).

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

	Group Unaudited (*)		Bank	
	Six months ended June 30, 2021	Six months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
	Depreciation and impairment	93,636	96,054	89,926
Amortisation	29,015	20,030	28,341	19,244
Total	122,651	116,084	118,266	111,702

The difference as at June 30, 2021 between the amount presented in note 12 and the amount presented in note 29 represents depreciation of investment property in total amount of 320 (June 30, 2020: 319).

The accompanying notes are an integral part of this financial statements

(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

30. Other operating expense

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2021	Six months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Administrative expenses	202,102	183,542	191,737	173,466
Publicity and sponsorships	8,723	9,333	8,633	9,163
Other expenses	35,257	35,054	30,066	32,349
Total	246,082	227,929	230,436	214,978

Administrative expenses include for the Bank maintenance expenses, various utilities such as energy and telecommunication, expenses related to short-term leases of 3,467 (June 30, 2020: 2,688) and to leases of low-value assets of 1,809 (June 30, 2020: 1,535).

31. Cost of risk

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2021	Six months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Net impairment allowance for loans	57,208	217,632	48,273	201,767
Net impairment allowance for sundry debtors	32,562	18,266	32,045	19,085
Net impairment allowance for finance lease	8,991	8,342	-	-
Income from recoveries of derecognized receivables & sales of bad debts	(70,724)	(48,175)	(68,783)	(46,492)
Write-offs	3,315	3,092	2,066	2,367
Financial guarantee and loan contracts provisions	(70,630)	25,875	(71,196)	25,840
Net impairment allowance for debt securities	408	81	408	81
Total	(38,870)	225,113	(57,187)	202,648

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

32. 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 122,908 (December 31, 2020: 111,608) and loans to banks, with more than 90 days maturity from the date of acquisition in amount of 18,989 (December 31, 2020: 18,327) for the Bank and also the ones amounting 35,252 (December 31, 2020: 35,523) 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	
	Unaudited (*)			
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Cash in hand	2,447,575	1,889,556	2,447,571	1,889,552
Current accounts and deposits with banks	5,671,260	5,369,711	5,671,260	5,369,709
Total	8,118,835	7,259,266	8,118,831	7,259,261

Impairment and provisions adjustment for non-cash items:

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2021	Six months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Net impairment allowance for loans	57,208	217,632	48,273	201,767
Net impairment allowance for sundry debtors	32,562	18,266	32,045	19,085
Net impairment allowance for financial leases	8,991	8,342	-	-
Write-offs	3,315	3,092	2,066	2,367
Financial guarantee and loan contracts provisions	(70,630)	25,875	(71,196)	25,840
Net movement in other provisions	(3,364)	(2,073)	(3,362)	(2,015)
Net impairment allowance for debt securities	408	81	408	81
Total	28,490	271,215	8,234	247,125

33. Guarantees and other credit facilities

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.

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

33. Guarantees and other credit facilities (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	
	Unaudited (*)			
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Letters of guarantee granted	4,802,848	4,877,225	4,817,429	4,890,263
Financing commitments granted	5,043,249	4,148,139	4,528,714	3,725,475
Total commitments granted	9,846,097	9,025,364	9,346,143	8,615,738
Uncommitted facilities granted	8,487,607	9,048,662	8,552,431	9,113,659
Letters of guarantee received	18,101,011	15,592,838	18,101,011	15,592,838
Financing commitments received	-	486,940	-	486,940
Total commitments received	18,101,011	16,079,778	18,101,011	16,079,778

34. Other commitments

	Group		Bank	
	Unaudited (*)			
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Tangible non-current assets	5,445	5,410	5,445	5,410
Intangible non-current assets	32,041	29,891	32,041	29,891
Commitments relating to short-term and low value leases	18,777	23,433	18,777	23,433
Total	56,263	58,734	56,263	58,734

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

As at June 30, 2021 and December 31, 2020 the future minimum lease payments regarding rents concluded by the Group and Bank as a lessee are:

	Group		Bank	
	Unaudited (*)			
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Less than one year	9,884	11,058	9,884	11,058
Between one and five years	7,323	8,560	7,323	8,560
More than five years	73	58	73	58
Total	17,279	19,676	17,279	19,676

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

35. 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							
	Parent	2021 Other related parties	Associates & Joint ventures	Key management of the institution	Parent	2020 Other related parties	Associates & Joint ventures	Key management of the institution
Assets	114,286	59,029	16,993	8,864	1,181,497	28,378	6,504	7,578
Nostro accounts	22,241	41,321	-	-	71,819	13,747	-	-
Deposits	16,263	-	-	-	38,059	-	-	-
Loans	18,989	17,632	5,288	8,857	990,562	14,546	3,370	7,570
Derivative financial instruments	56,752	-	-	7	79,027	-	-	7
Other assets	41	75	11,705	1	2,031	85	3,134	1
Liabilities	1,599,614	194,770	96,814	16,836	1,571,169	180,148	77,027	14,857
Loro accounts	2,742	8,034	-	-	114	616	-	-
Deposits	41,882	185,204	81,422	16,836	68,245	178,284	70,196	14,857
Borrowings	1,486,335	-	-	-	1,408,309	-	-	-
Derivative financial instruments	42,720	-	-	-	41,522	-	-	-
Other liabilities	25,935	1,532	15,392	-	52,980	1,248	6,831	-
Commitments	7,113,465	154,811	34,584	1,019	8,693,844	168,417	37,794	1,014
Total commitments granted	145,851	71,224	-	527	139,000	75,170	-	577
Total commitments received	210,627	81,862	10,324	269	694,906	85,211	11,924	215
Uncommitted facilities granted	2,956	1,726	24,260	-	-	8,036	25,870	-
Notional amount of foreign exchange transactions	2,910,389	-	-	223	3,589,333	-	-	222
Notional amount of interest rate derivatives	3,843,643	-	-	-	4,270,606	-	-	-
Income statement	(36,156)	(3,842)	7,361	90	12,954	(995)	11,644	6
Interest and commission revenues	10,161	1,207	14,530	121	8,939	1,215	8,051	19
Interest and commission expense	(13,794)	(1,408)	(2,845)	(18)	(16,697)	(495)	(453)	(13)
Net gain/(loss) on interest rate derivatives	(31,169)	-	-	(1)	6,474	-	-	(0)
Net gain/(loss) on foreign exchange derivatives	16,498	-	-	-	34,042	-	-	-
Dividend income	-	-	3,349	-	-	-	5,791	-
Other income	404	(308)	38	-	-	27	101	-
Other expenses	(18,256)	(3,333)	(7,710)	(11)	(19,804)	(1,742)	(1,845)	-

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

35. Related parties (continued)

	Bank									
	2021					2020				
	Parent	Other related parties	Subsidiaries	Associates & Joint ventures	Key management of the institution	Parent	Other related parties	Subsidiaries	Associates & Joint ventures	Key management of the institution
Assets	98,022	59,029	44,525	16,125	8,864	1,143,439	28,378	44,560	4,589	7,578
Nostro accounts	22,241	41,321	-	-	-	71,819	13,747	-	-	-
Loans	18,989	17,632	42,064	5,288	8,857	990,562	14,546	42,555	3,370	7,570
Derivative financial instruments	56,752	-	10	-	7	79,027	-	-	-	7
Other assets	40	75	2,451	10,837	1	2,031	85	2,005	1,218	1
Liabilities	109,600	194,739	201,935	96,077	16,836	161,894	180,133	194,979	76,040	14,857
Loro accounts	2,742	8,034	-	-	-	114	616	-	-	-
Deposits	41,882	185,204	201,786	81,422	16,836	68,245	178,284	194,778	70,196	14,857
Lease payable	-	-	138	-	-	-	-	190	-	-
Derivative financial instruments	42,720	-	-	-	-	41,522	-	-	-	-
Other liabilities	22,256	1,500	11	14,655	-	52,014	1,233	11	5,844	-
Commitments	7,113,465	154,811	109,414	34,584	1,019	8,693,844	168,417	90,141	37,794	1,014
Total commitments granted	145,851	71,224	29,810	-	527	139,000	75,170	25,144	-	577
Total commitments received	210,627	81,862	-	10,324	269	694,906	85,211	-	11,924	215
Uncommitted facilities granted	2,956	1,726	64,824	24,260	-	-	8,036	64,997	25,870	-
Notional amount of foreign exchange transactions	2,910,389	-	14,780	-	223	3,589,333	-	-	-	222
Notional amount of interest rate derivatives	3,843,643	-	-	-	-	4,270,606	-	-	-	-
Income statement	(25,429)	(3,955)	26,497	2,422	90	26,014	(1,323)	7,469	6,309	6
Interest and commission revenues	9,836	833	9,690	8,951	121	8,604	766	7,148	1,942	19
Interest and commission expense	(3,359)	(1,408)	(888)	(2,843)	(18)	(3,761)	(495)	(1,106)	(451)	(13)
Net gain/(loss) on interest rate derivatives	(31,169)	-	-	-	(1)	6,474	-	-	-	(0)
Net gain/(loss) on foreign exchange derivatives	16,498	-	11	-	-	34,042	-	(53)	-	-
Dividend income	-	-	15,966	3,349	-	-	-	-	5,791	-
Other income	404	(308)	(107)	-	-	-	27	262	63	-
Other expenses	(17,640)	(3,072)	1,824	(7,034)	(11)	(19,345)	(1,621)	1,219	(1,036)	-

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

35. 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 17,233 at June 30, 2021 (December 31, 2020: 47,088).

As of June 30, 2021 the Board of Directors and Managing Committee members own 21,730 shares (2020: 301,730).

Key management personnel benefits for 2021 and 2020:

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2021	Six months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Short-term benefits	8,508	8,759	6,568	7,088
Long-term benefits	2,550	2,574	2,378	2,405

36. Contingencies

As of June 30, 2021 the Bank is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 707,129 (December 31, 2020: 741,664.). The amounts disclosed represent the additional potential loss in the event of a negative court decision, the amounts not being provisioned. The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance. The Bank already booked a provision of 16,345 (December 31, 2020: 16,711) and the Group 35,320 (December 31, 2020: 35,689) in relation with the litigations.

37. 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 June 30, 2021 and June 30, 2020 there were no dilutive equity instruments issued by the Group and Bank.

	Group		Bank	
	Unaudited (*)			
	Six months ended June 30, 2021	Six months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Ordinary shares on market	696,901,518	696,901,518	696,901,518	696,901,518
Profit attributable to shareholders	622,694	409,862	628,699	405,033
Earnings per share (in RON)	0.8935	0.5881	0.9021	0.5812

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

38. 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 prices 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 derivatives, 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:

The accompanying notes are an integral part of this financial statements

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

38. Fair value (continued)

	Group				Bank			
	June 30, 2021 Unaudited (*)				June 30, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value</u>								
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	48,757	-	48,757	-	48,757	-	48,757
Currency swaps	-	4,616	-	4,616	-	4,616	-	4,616
Forward foreign exchange contracts	-	5,902	-	5,902	-	5,912	-	5,912
Options	-	-	20,598	20,598	-	-	20,598	20,598
	-	59,275	20,598	79,873	-	59,285	20,598	79,883
Financial assets at fair value through other comprehensive income	17,183,963	-	-	17,183,963	17,183,963	-	-	17,183,963
Equity investments (listed)	2,876	-	-	2,876	2,876	-	-	2,876
Equity investments (not listed)	-	-	4,300	4,300	-	-	4,300	4,300
Total	17,186,839	-	4,300	17,191,139	17,186,839	-	4,300	17,191,139
Other financial instruments held for trading	2,819,847	-	-	2,819,847	2,819,847	-	-	2,819,847
Total	20,006,686	59,275	24,898	20,090,858	20,006,686	59,285	24,898	20,090,869
<u>Assets for which fair value is disclosed</u>								
Cash in hand	2,447,575	-	-	2,447,575	2,447,571	-	-	2,447,571
Due from Central Bank	2,895,882	-	-	2,895,882	2,895,882	-	-	2,895,882
Due from banks	5,829,420	-	-	5,829,420	5,813,157	-	-	5,813,157
Loans and advances to customers	-	-	32,563,692	32,563,692	-	-	31,894,101	31,894,101
Financial lease receivables	-	-	1,141,189	1,141,189	-	-	-	-
Total	11,172,877	-	33,704,881	44,877,758	11,156,610	-	31,894,101	43,050,711

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

38. Fair value (continued)

	Group				Bank			
	June 30, 2021 Unaudited (*)				June 30, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<u>Liabilities measured at fair value</u>								
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	37,673	-	37,673	-	37,673	-	37,673
Currency swaps	-	2,650	-	2,650	-	2,650	-	2,650
Forward foreign exchange contracts	-	8,035	-	8,035	-	8,035	-	8,035
Options	-	-	20,623	20,623	-	-	20,623	20,623
Total	-	48,358	20,623	68,981	-	48,358	20,623	68,981
Other financial instruments held for trading	188,403	-	-	188,403	188,403	-	-	188,403
Total	188,403	48,358	20,623	257,384	188,403	48,358	20,623	257,384
<u>Liabilities for which fair value is disclosed</u>								
Due to banks	485,121	-	-	485,121	485,121	-	-	485,121
Due to customers	-	53,011,436	-	53,011,436	-	53,212,731	-	53,212,731
Borrowed funds	-	1,760,803	-	1,760,803	-	4,868	-	4,868
Total	485,121	54,772,239	-	55,257,360	485,121	53,217,599	-	53,702,720

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(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

38. Fair value (continued)

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

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

38. Fair value (continued)

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

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

38. 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 assets 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.

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

38. 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.

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2021
(Amounts in thousands RON)

38. Fair value (continued)

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

	Group				Bank			
	June 30, 2021 Unaudited (*)		December 31, 2020		June 30, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash in hand	2,447,575	2,447,575	1,889,556	1,889,556	2,447,571	2,447,571	1,889,552	1,889,552
Due from Central Bank	2,895,882	2,895,882	5,223,833	5,223,833	2,895,882	2,895,882	5,223,833	5,223,833
Due from banks	5,829,420	5,829,420	5,516,842	5,516,842	5,813,157	5,813,157	5,499,644	5,499,644
Loans and advances to customers	32,533,132	32,563,692	29,642,998	29,844,021	31,798,714	31,894,101	28,873,021	29,160,124
Financial lease receivables	1,139,802	1,141,189	1,066,899	1,067,860	-	-	-	-
	44,845,811	44,877,758	43,340,128	43,542,112	42,955,324	43,050,711	41,486,050	41,773,153
Financial liabilities								
Due to banks	485,121	485,121	199,011	199,011	485,121	485,121	199,011	199,011
Due to customers	53,007,283	53,011,436	49,957,754	49,959,911	53,208,562	53,212,731	50,152,126	50,154,291
Borrowed funds	1,760,803	1,760,803	1,742,352	1,742,352	4,868	4,868	6,765	6,765
	55,253,207	55,257,360	51,899,117	51,901,274	53,698,551	53,702,720	50,357,902	50,360,067

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 31, 2021
(Amounts in thousands RON)

38. Fair value (continued)

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

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

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

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

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

Movement in level 3:

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

	Equity investments (not listed)	Options (A)	Options (L)
Closing balance as at December 31, 2019	65,776	23,448	23,569
Acquisitions	-	2,639	2,639
Sales	(37,368)	(1,686)	(1,686)
Reimbursements	-	(4,588)	(4,589)
Gain losses from change in fair value	11,912	(6,540)	(6,576)
Translation differences	(3,199)	-	-
Closing balance as at December 31, 2020	37,121	13,273	13,357
Acquisitions	-	4,255	4,255
Sales	(35,434)	(223)	(223)
Reimbursements	-	(4,318)	(4,318)
Gain losses from change in fair value	1,624	7,611	7,552
Translation differences	989	-	-
Closing balance as at June 30, 2021	4,300	20,598	20,623

In September 2020 the Bank converted part of Visa shares from type C into type A, and afterwards in November 2020 sold the Visa shares type A at a price of 9.2 Million USD.

In April 2021 the Bank sold to Societe Generale its entire interest into VISA shares through a bilateral stock purchase agreement, for a total price of 8,9 Million USD.

The accompanying notes are an integral part of this financial statements

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 31, 2021
(Amounts in thousands RON)

39. Subsequent events

No subsequent event was identified after the reporting date.

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