

BRD – Groupe Société Générale S.A.

INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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

	Note	Group		Bank	
		Unaudited (*) September 30, 2021	December 31, 2020	Unaudited (*) September 30, 2021	December 31, 2020
ASSETS					
Cash in hand	4,33	2,438,412	1,889,556	2,438,408	1,889,552
Due from Central Bank	5	4,047,520	5,223,833	4,047,520	5,223,833
Due from banks	6	6,401,837	5,516,842	6,385,413	5,499,644
Derivatives and other financial instruments held for trading	7	2,482,086	2,400,365	2,470,133	2,400,365
Loans and advances to customers	8	32,457,543	29,642,998	31,706,577	28,873,021
Finance lease receivables	9	1,221,753	1,066,899	-	-
Financial assets at fair value through profit and loss	10	6,884	85,240	6,884	58,384
Financial assets at fair value through other comprehensive income	11	17,766,818	15,943,470	17,766,818	15,943,470
Investments in subsidiaries, associates and joint ventures		104,732	99,114	158,916	158,916
Property, plant and equipment	12	1,081,934	1,065,856	1,059,912	1,052,585
Investment property		16,956	17,798	16,956	17,798
Goodwill	13	50,130	50,130	50,130	50,130
Intangible assets	14	273,987	247,379	272,372	244,299
Current tax assets	19	7,484	4,911	7,484	4,905
Deferred tax asset	19	97,202	10,287	84,711	-
Other assets	15	275,988	293,067	163,183	217,683
Non-current assets held for sale		12,753	-	12,753	-
Total assets		68,744,019	63,557,745	66,648,170	61,634,585
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	16	392,854	199,011	392,854	199,011
Due to customers	17	53,804,362	49,957,754	53,990,396	50,152,126
Borrowed funds	18	2,827,436	1,742,352	1,003,883	6,765
Derivatives and other financial instruments held for trading	7	442,275	599,669	442,275	599,669
Current tax liability	19	96,603	2,069	90,047	-
Deferred tax liability	19	-	37,907	-	37,907
Provisions	20	380,163	442,100	371,716	435,588
Other liabilities	21	863,021	804,818	753,588	731,376
Total liabilities		58,806,714	53,785,680	57,044,759	52,162,442
Share capital	22	2,515,622	2,515,622	2,515,622	2,515,622
Other reserves		101,535	804,442	101,535	804,442
Retained earnings and capital reserves		7,261,642	6,403,510	6,986,254	6,152,079
Non-controlling interest		58,506	48,491	-	-
Total equity		9,937,305	9,772,065	9,603,411	9,472,143
Total liabilities and equity		68,744,019	63,557,745	66,648,170	61,634,585

The financial statements have been authorized by the Group's management on November 3, 2021 and are signed on the Group's behalf by:

Giovanni Luca Soma
Chairman of the Board of
Directors

François Bloch
Chief Executive Officer

Stephane Fortin
Deputy Chief Executive Officer

Etienne Loulergue
Chief Financial Officer

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 PROFIT AND LOSS
for the period ended September 30, 2021
(Amounts in thousands RON)

	Note	Group Unaudited (*)		Bank Unaudited (*)	
		Nine months ended September 30, 2021	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Interest and similar income	23	1,648,622	1,691,839	1,535,125	1,574,845
Interest and similar expense	24	(111,913)	(131,675)	(96,586)	(112,202)
Net interest income		1,536,709	1,560,164	1,438,539	1,462,643
Fees and commission income	25	791,149	701,916	756,784	669,907
Fees and commission expense	25	(210,845)	(173,807)	(204,719)	(169,318)
Fees and commissions, net		580,304	528,109	552,065	500,589
Gain on derivative, other financial instruments held for trading and foreign exchange	26	188,711	201,891	188,201	200,919
Gain from financial instruments at fair value through other comprehensive income		11,960	12,375	11,960	12,375
Gain from financial instruments at fair value through profit and loss		7,685	7,654	7,349	6,953
Net (loss)/Income from associates and joint ventures		8,966	(3,482)	3,349	6,191
Other income/(expense) from banking activities	27	1,083	1,250	13,582	(952)
Net banking income		2,335,418	2,307,961	2,215,045	2,188,718
Personnel expenses	29	(616,855)	(617,321)	(573,782)	(577,188)
Depreciation, amortisation and impairment on tangible and intangible assets	30	(179,476)	(177,092)	(173,099)	(170,518)
Contribution to Guarantee Scheme and Resolution Fund	28	(49,390)	(43,300)	(49,390)	(43,300)
Other operating expenses	31	(373,875)	(350,128)	(350,117)	(329,772)
Total operating expenses		(1,219,596)	(1,187,841)	(1,146,388)	(1,120,778)
Gross operating profit		1,115,822	1,120,120	1,068,657	1,067,940
Cost of risk	32	41,696	(253,237)	46,398	(225,364)
Operating profit		1,157,518	866,883	1,115,055	842,576
Profit before income tax		1,157,518	866,883	1,115,055	842,576
Current tax expense	19	(228,012)	(132,598)	(217,315)	(126,195)
Deferred tax (expense) / income	19	(9,163)	3,801	(11,367)	2,271
Total income tax		(237,175)	(128,797)	(228,682)	(123,924)
Profit for the period		920,343	738,086	886,373	718,652
Profit attributable to equity holders of the parent		910,328	731,741	-	-
Profit attributable to non-controlling interests		10,015	6,345	-	-
Basic earnings per share (in RON)	38	1.3063	1.0500	1.2719	1.0312

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 September 30, 2021
(Amounts in thousands RON)

	Group Unaudited (*)		Bank Unaudited (*)	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Profit for the period	920,343	738,086	886,373	718,652
Other comprehensive income				
Net comprehensive income that may be reclassified to profit and loss in subsequent periods	(702,907)	337,025	(702,907)	337,025
Net gain/(loss) on financial assets at fair value through other comprehensive income	(702,907)	337,025	(702,907)	337,025
Reclassifications to profit and loss during the period	11,443	12,250	11,443	12,250
Revaluation differences	(848,335)	388,946	(848,335)	388,946
Income tax	133,986	(64,171)	133,986	(64,171)
Other comprehensive income for the period, net of tax	(702,907)	337,025	(702,907)	337,025
Total comprehensive income for the period, net of tax	217,436	1,075,111	183,466	1,055,677
Attributable to:				
Equity holders of the parent	207,421	1,068,766		-
Non-controlling interest	10,015	6,345		-

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended September 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	-	337,025	-	731,741	6,345	1,075,111
Net Profit for the period	-	-	-	731,741	6,345	738,086
Other comprehensive income	-	337,025	-	-	-	337,025
September 31, 2020	2,515,622	496,644	19,533	6,173,200	54,034	9,259,033

	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	-	(702,907)	-	910,328	10,015	217,436
Net Profit for the period	-	-	-	910,328	10,015	920,343
Other comprehensive income	-	(702,907)	-	-	-	(702,907)
Equity dividends	-	-	-	(52,198)	-	(52,198)
September 31, 2021	2,515,622	86,123	15,412	7,261,642	58,506	9,937,305

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

Bank Unaudited (*)

	<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	-	337,025	-	718,652	1,055,677
Net Profit for the period	-	-	-	718,652	718,652
Other comprehensive income	-	337,025	-	-	337,025
September 31, 2020	2,515,622	496,644	19,533	5,919,166	8,950,967

	<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	-	(702,907)	-	886,373	183,466
Net Profit for the period	-	-	-	886,373	886,373
Other comprehensive income	-	(702,907)	-	-	(702,907)
Equity dividends	-	-	-	(52,198)	(52,198)
September 31, 2021	2,515,622	86,123	15,412	6,986,254	9,603,411

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

Note	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash flows from operating activities				
Profit before tax	1,157,518	866,883	1,115,055	842,576
<i>Adjustments for:</i>				
Depreciation and amortization expense	179,476	177,092	173,099	170,518
Loss / (Gain) from investment in associates and joint ventures	(5,617)	9,673	-	-
(Gain) from revaluation of assets at fair value through profit and loss	(7,192)	(5,416)	(6,856)	(4,725)
Impairment adjustments and provisions	112,728	330,987	93,219	300,391
Adjusted profit	1,436,913	1,379,219	1,374,517	1,308,760
Changes in operating assets and liabilities				
Due from Central Bank	1,176,313	1,949,855	1,176,313	1,949,855
Accounts and deposits with banks	14,605	(12,652)	13,833	(13,433)
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	-	(4,810)	-	-
Financial assets at fair value through other comprehensive income	(2,526,255)	(1,806,987)	(2,526,255)	(1,806,987)
Loans and advances to customers	(2,860,976)	(169,894)	(2,870,487)	(197,491)
Lease receivables	(164,461)	(100,631)	-	-
Other assets including trading	(311,766)	(892,689)	(257,925)	(889,011)
Due to banks	193,843	73,681	193,843	73,681
Due to customers	3,846,608	2,168,441	3,838,270	2,181,366
Other liabilities	(181,098)	113,013	(213,849)	126,474
Total changes in operating assets and liabilities	(727,639)	1,317,327	(587,901)	1,424,454
Income tax paid	(92,950)	(92,521)	(86,740)	(85,923)
Cash flow from operating activities	616,324	2,604,025	699,876	2,647,291
Investing activities				
Acquisition of investments in associates and joint ventures	-	(13,035)	-	(13,034)
Acquisition of tangible and intangible assets	(135,166)	(120,237)	(135,035)	(118,772)
Proceeds from sale of tangible and intangible assets	1,340	6,084	1,340	6,084
Cash flow from investing activities	(133,826)	(127,188)	(133,695)	(125,722)
Financing activities				
Proceeds from borrowings	3,058,427	12,666,631	2,000,207	12,001,376
Repayment of borrowings	(1,973,343)	(12,620,700)	(1,003,089)	(12,004,277)
Repayment of principal lease liabilities	(66,928)	(70,201)	(62,643)	(66,071)
Dividends paid	(52,198)	-	(52,198)	-
Net cash from financing activities	965,958	(24,270)	882,277	(68,972)
Net movements in cash and cash equivalents	1,448,456	2,452,567	1,448,458	2,452,597
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	8,707,722	7,789,621	8,707,719	7,789,615

Operational cash flows from interest and dividends

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Interest paid	115,804	138,381	101,318	116,090
Interest received	1,658,073	1,679,517	1,557,770	1,576,370
Dividends received	3,349	6,191	19,315	6,191

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 September 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 September 30, 2021 (the “Parent” or “SG”).

The Bank has as at September 30, 2021 525 units throughout the country (December 31, 2020: 584).

The average number of active employees of the Group during three quarters of 2021 was 6,675 (2020: 7,063), and the number of active employees of the Group as of the period-end was 6,550 (December 31, 2020: 6,860).

The average number of active employees of the Bank during three quarters of 2021 was 6,204 (2020: 6,528), and the number of active employees of the Bank as of the period-end was 6,088 (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:

	September 30, 2021	December 31, 2020
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%
S.I.F. Oltenia	4.08%	4.11%
Fondul De Pensii Administrat Privat Azt Viitorul Tau	3.97%	4.26%
Fondul De Pensii Administrat Privat Metropolitan Life	3.06%	2.96%
S.I.F. Transilvania	2.81%	3.17%
Legal entities	16.46%	15.65%
Individuals	4.14%	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 September 30, 2021
(Amounts in thousands RON)

2. Basis of preparation

a) Basis of preparation

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

The interim financial statements for the nine months ended September 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 are 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 have 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 September 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 September 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.

Group			
Associates	Field of activity	Address	%
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%
BRD Sogelease Asset Rental SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest	20.00%
Joint ventures			
CIT One SA	Protection and guard	319L Splaiul Independentei Street, Paris Building/A1, 1st floor, district 6, Bucharest,	33.33%
Bank			
Associates	Field of activity	Address	%
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%
Joint ventures			
CIT One SA	Protection and guard	319L Splaiul Independentei Street, Paris Building/A1, 1st floor, district 6, Bucharest,	33.33%
Subsidiaries			
BRD Sogelease IFN SA	Financial lease	1-7, Ion Mihalache Street, floor 12, district 1, Bucharest	99.98%
BRD Finance IFN SA	Financial institution	1-7, Ion Mihalache Street, floor 15, district 1, Bucharest	49.00%
BRD Asset Management SAI SA	Fund administration	2 Doctor Staicovici Street, district 5, floor 5, Bucharest	99.98%

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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 September 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)**

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.

As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts 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 were not a lease modification. 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. Lessees will apply the amendment retrospectively, recognizing the cumulative effect of initially applying it as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which they first apply the amendment. In the reporting period in which a lessee first applies the 2021 amendment, the lessee will not be required to disclose the information required by paragraph 28(f) of IAS 8.

In accordance with paragraph 2 of IFRS 16, a lessee is required to apply the relief consistently to eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient before or after the amendment.

The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the covid-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary.

Effective for annual periods beginning on or after 1 April 2021.

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 September 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

- **Reference to the Conceptual Framework – Amendments to IFRS 3**

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).

The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use.

Effective for annual periods beginning on or after 1 January 2022.

- **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for first-time adopters.

Effective for annual periods beginning on or after 1 January 2022.

- **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a ‘directly related cost approach’. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognized contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions.

Effective for annual periods beginning on or after 1 January 2022.

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28**

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3.

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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 September 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)

Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments must be applied prospectively. Early application is permitted and must be disclosed. The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.

• Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

In July 2021, the Board tentatively decided to propose several amendments to the clarifications made in January 2020. In particular, the Board decided to propose that if a right to defer settlement for at least twelve months is subject to an entity complying with conditions after the reporting date, those conditions do not affect whether the right to defer settlement exists at the reporting date for the purpose of classifying a liability as current or non-current. Additional presentation and disclosure requirements would be applicable in such circumstances. Furthermore, the Board tentatively decided to defer the effective date to no earlier than 1 January 2024 (from 1 January 2023).

The Board discussed the transition requirements and due process steps for the proposed amendments, and intends to publish an exposure draft in November 2021.

Effective for annual periods beginning on or after 1 January 2023.

• Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies

And

- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board.

In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement.

Effective for annual periods beginning on or after 1 January 2023.

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2. Basis of preparation (continued)

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

- **Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of ‘accounting estimates’.

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

Although the amendments are not expected to have a material impact on entities’ financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

Effective for annual periods beginning on or after 1 January 2023.

- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12**

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

- **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

BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended September 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 39.

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 behavior 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 7.6% (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

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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 September 30, 2021
(Amounts in thousands RON)

2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

the capacity of the client/business to generate revenues, proceeds resulting from sale of collaterals and other clearly identified sources of repayment. The individual assessment threshold is defined in between 500 - 1,500 thousands EUR, depending on the client type and customers' management departments.

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 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 September 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 Bank 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 Bank level, as detailed below:

- i. The distribution of moratoria loans across stages is: 23% Stage 1, 69% Stage 2, 8% Stage 3
- ii. The distribution of total Bank portfolio across stages is: 74% Stage 1, 22% 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 September 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 September 30, 2021
(Amounts in thousands RON)

3. Segment information (continued)

	Group							
	September 30, 2021 Unaudited (*)				December 31, 2020			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	68,744,019	23,170,326	10,508,970	35,064,723	63,557,745	22,108,317	8,601,580	32,847,847
Loans and advances to customers, net & Finance lease receivables	33,679,296	23,170,326	10,508,970	-	30,709,897	22,108,317	8,601,580	-
Other assets	35,064,723	-	-	35,064,723	32,847,847	-	-	32,847,847
Total liabilities	68,744,019	34,835,406	18,968,956	14,939,657	63,557,745	33,708,531	16,249,223	13,599,991
Due to customers	53,804,362	34,835,406	18,968,956	-	49,957,754	33,708,531	16,249,223	-
Other liabilities	14,939,657	-	-	14,939,657	13,599,991	-	-	13,599,991

	Bank							
	September 30, 2021 Unaudited (*)				December 31, 2020			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Total assets	66,648,170	22,111,918	9,594,659	34,941,593	61,634,585	21,096,342	7,776,679	32,761,564
Loans and advances to customers, net	31,706,577	22,111,918	9,594,659	-	28,873,021	21,096,342	7,776,679	-
Other assets	34,941,593	-	-	34,941,593	32,761,564	-	-	32,761,564
Total liabilities	66,648,170	34,835,406	19,154,990	12,657,774	61,634,585	33,708,531	16,443,595	11,482,459
Due to customers	53,990,396	34,835,406	19,154,990	-	50,152,126	33,708,531	16,443,595	-
Other liabilities	12,657,774	-	-	12,657,774	11,482,459	-	-	11,482,459

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 September 30, 2021
(Amounts in thousands RON)

3. Segment information (continued)

	Group							
	Unaudited (*)				Unaudited (*)			
	Nine months ended September 30, 2021				Nine months ended September 30, 2020			
	Total	Retail	Non retail	Corporate Center	Total	Retail	Non retail	Corporate Center
Net interest income	1,536,709	1,041,889	326,349	168,471	1,560,164	1,036,039	337,059	187,067
Fees and commissions, net	580,304	422,655	163,687	(6,038)	528,109	380,424	154,043	(6,358)
Total non-interest income	218,405	73,656	63,442	81,307	219,688	62,717	52,975	103,996
Operating income	2,335,418	1,538,200	553,478	243,740	2,307,961	1,479,178	544,077	284,705
Total operating expenses	(1,219,596)	(873,243)	(294,603)	(51,750)	(1,187,841)	(855,790)	(293,400)	(38,652)
Cost of risk	41,696	(47,011)	101,826	(13,119)	(253,237)	(162,188)	(80,794)	(10,256)
Profit before income tax	1,157,518	617,946	360,701	178,871	866,883	461,202	169,884	235,797
Total income tax	(237,175)	(126,622)	(73,911)	(36,641)	(128,797)	(68,476)	(25,223)	(35,098)
Profit for the period	920,343	491,324	286,790	142,230	738,086	392,726	144,661	200,700
Cost Income Ratio	52.2%	56.8%	53.2%	21.2%	51.5%	57.9%	53.9%	13.6%

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 September 30, 2021
(Amounts in thousands RON)

3. Segment information (continued)

	Unaudited (*)				Bank	Unaudited (*)			
	Nine months ended September 30, 2021					Nine months ended September 30, 2020			
	Total	Retail	Non retail	Corporate Center		Total	Retail	Non retail	Corporate Center
Net interest income	1,438,539	980,511	284,114	173,915		1,462,643	969,430	301,040	192,174
Fees and commissions, net	552,065	400,617	159,762	(8,314)		500,589	350,021	151,434	(866)
Total non-interest income	224,441	73,556	59,778	91,107		225,486	62,579	51,226	111,681
Operating income	2,215,045	1,454,683	503,654	256,708		2,188,718	1,382,029	503,700	302,989
Total operating expenses	(1,146,388)	(819,279)	(275,272)	(51,837)		(1,120,778)	(806,840)	(275,627)	(38,311)
Cost of risk	46,398	(50,707)	110,221	(13,116)		(225,364)	(143,712)	(71,397)	(10,255)
Profit before income tax	1,115,055	584,697	338,603	191,755		842,576	431,478	156,675	254,423
Total income tax	(228,682)	(119,913)	(69,443)	(39,326)		(123,924)	(63,461)	(23,043)	(37,420)
Profit for the period	886,373	464,784	269,160	152,429		718,652	368,017	133,632	217,003
Cost Income Ratio	51.8%	56.3%	54.7%	20.2%		51.2%	58.4%	54.7%	12.6%

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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 September 30, 2021
(Amounts in thousands RON)

4. Cash in hand

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Cash in vaults	1,952,345	1,317,039	1,952,342	1,317,035
Cash in ATM	486,067	572,516	486,067	572,516
Total	2,438,412	1,889,556	2,438,408	1,889,552

5. Due from Central Bank

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Current accounts	4,047,520	5,223,833	4,047,520	5,223,833
Total	4,047,520	5,223,833	4,047,520	5,223,833

6. Due from banks

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Deposits at Romanian banks	251,672	31,642	251,672	31,641
Deposits at foreign banks	5,463,680	3,285,359	5,447,255	3,268,163
Current accounts at Romanian banks	123	1	123	1
Current accounts at foreign banks	536,279	706,131	536,279	706,131
Reverse repo	-	1,493,708	-	1,493,708
Bonds	150,084	-	150,084	-
Total	6,401,837	5,516,842	6,385,413	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 118 as at September 30, 2021 (December 31, 2020: 91).

7. Derivative and other financial instruments held for trading

Group Unaudited (*)	September 30, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	43,002	35,633	5,443,572
Currency swaps	4,907	4,500	2,522,928
Forward foreign exchange contracts	5,713	6,346	1,042,217
Options	21,538	21,560	3,378,764
Total derivative financial instruments	75,160	68,039	12,387,481

	September 30, 2021	
	Assets	Liabilities
Treasury notes	1,206,012	137,846
Trading loans/deposits	-	195,263
Reverse repo/Repo	1,200,914	41,127
Total financial assets and liabilities held for trading	2,406,926	374,236

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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 September 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

Unaudited (*)

	September 30, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	43,002	35,633	5,443,572
Currency swaps	4,907	4,500	2,522,928
Forward foreign exchange contracts	5,723	6,346	1,049,638
Options	21,538	21,560	3,378,764
Total derivative financial instruments	75,170	68,039	12,394,902

	September 30, 2021	
	Assets	Liabilities
Treasury notes	1,194,049	137,846
Trading loans/deposits	-	195,263
Reverse repo/Repo	1,200,914	41,127
Total financial assets and liabilities held for trading	2,394,963	374,236

	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

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 September 30, 2021
(Amounts in thousands RON)

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

The Group continues to apply hedge accounting (fair value hedge) as at September 30, 2021 and has 4 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:
 - 126 million EUR yearly with a fixed interest rate of 0.42%, the remaining period of 6.75 years.
 - 32 million EUR yearly with a fixed interest rate of -0.0125%, the remaining period of 1.75 years.
 - 40 million EUR yearly with a fixed interest rate of 0.171%, the remaining period of 3.75 years.
 - 28 million EUR yearly with a fixed interest rate of -0.0125%; the remaining period of 1.75 years.
 - 28 million USD yearly with a fixed interest rate of 2.813%; the remaining period of 6.75 years.
 - 12 million USD yearly with a fixed interest rate of 2.765%; the remaining period of 1.75 years.
- In 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 9.1 years.
- On September 30, 2021 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 150 million EUR with a fixed interest rate of -0.337%. The remaining period for the hedging instrument is of 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 September 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 September 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 4,060. The change in value of the hedged item during the period is explained by loss from revaluation in amount of 47,406 and by the exchange rate evolution effect in amount of -1,054. 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:

	September 30, 2021		
	Assets	Liabilities	Notional (total)
Interest rate swaps	29,398	24,821	3,762,207

	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 September 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 (*)		Unaudited (*)	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Loans, gross	34,399,008	31,534,050	33,510,668	30,633,863
Loans impairment	(1,941,465)	(1,891,052)	(1,804,091)	(1,760,842)
Total	32,457,543	29,642,998	31,706,577	28,873,021

The structure of loans is the following:

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Working capital loans	5,278,961	3,836,151	5,278,961	3,836,151
Loans for equipment	3,301,893	2,676,540	3,048,364	2,459,487
Trade activities financing	746,990	914,760	746,990	914,760
Acquisition of real estate, including mortgage for individuals	13,545,757	13,040,071	13,545,757	13,040,071
Consumer loans	9,493,283	9,121,155	8,858,472	8,438,022
Other	2,032,124	1,945,373	2,032,124	1,945,373
Total	34,399,008	31,534,050	33,510,668	30,633,863

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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 September 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

During 2021 the gross loan portfolio increased by 2,877 million RON as compared with 31 December 2020.

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

- Stage 1: 24,772 million RON, with a 3,804 million increase compared to 31 December 2020.
- Stage 2: 7,490 million RON, with a 1,049 million RON decrease compared to 31 December 2020.
- Stage 3: 1,187 million RON, with a 121 million RON increase compared to 31 December 2020.
- POCI: 61 million RON, with a 1.4 million RON increase compared to 31 December 2020.

As of September 30, 2021 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 3,651,666 (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 4,616,001 (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 September 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance

Group Unaudited (*) %	September 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	66.1%	51.8%	71.5%	75.2%	69.5%	70.4%	45.5%	13.2%	67.4%	68.6%
Agriculture, forestry and fishing	2.6%	3.4%	4.4%	5.3%	1.2%	1.0%	0.0%	0.0%	2.9%	2.8%
Mining and quarrying	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	5.0%	7.9%	7.4%	4.6%	2.7%	3.0%	5.0%	0.1%	5.4%	4.2%
Electricity, gas, steam and air conditioning supply	4.8%	4.6%	0.0%	0.0%	5.9%	2.2%	0.0%	0.0%	3.8%	1.7%
Water supply	0.3%	0.6%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.3%	0.2%
Construction	1.3%	2.1%	0.7%	0.5%	6.5%	7.9%	0.0%	0.0%	1.4%	4.5%
Wholesale and retail trade	8.5%	12.5%	2.5%	2.2%	2.2%	2.4%	7.2%	4.2%	6.9%	3.7%
Transport and storage	2.1%	3.3%	2.2%	2.4%	0.4%	0.4%	0.2%	0.0%	2.0%	1.5%
Accommodation and food service activities	0.5%	1.4%	1.2%	1.1%	3.6%	4.6%	0.0%	0.0%	0.7%	2.9%
Information and communication	1.2%	1.5%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.9%	0.2%
Financial institutions	1.7%	2.8%	4.0%	1.6%	0.0%	0.0%	0.0%	0.0%	2.1%	0.9%
Real estate activities	1.1%	2.2%	3.1%	3.3%	1.0%	1.3%	40.8%	80.1%	1.6%	3.4%
Professional, scientific and technical activities	0.4%	0.4%	0.1%	0.2%	2.7%	3.6%	0.0%	0.0%	0.4%	1.9%
Administrative and support service activities	0.1%	0.2%	0.1%	0.1%	0.2%	0.2%	1.3%	2.4%	0.1%	0.2%
Public administration and defence, compulsory social security	3.4%	4.1%	0.5%	0.6%	3.7%	2.5%	0.0%	0.0%	2.8%	2.0%
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%	1.1%	0.9%	0.2%	0.3%	0.0%	0.0%	0.7%	0.6%
Arts, entertainment and recreation	0.0%	0.0%	0.6%	1.2%	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%
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 September 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

Bank Unaudited (*) %	September 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	65.7%	48.9%	71.9%	75.2%	67.2%	67.4%	45.5%	13.2%	67.1%	66.8%
Agriculture, forestry and fishing	2.2%	3.4%	4.1%	5.2%	0.6%	0.6%	0.0%	0.0%	2.6%	2.6%
Mining and quarrying	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Manufacturing	5.1%	8.4%	7.5%	4.6%	3.0%	3.4%	5.0%	0.1%	5.6%	4.5%
Electricity, gas, steam and air conditioning supply	5.0%	4.9%	0.0%	0.0%	6.6%	2.5%	0.0%	0.0%	3.9%	1.9%
Water supply	0.4%	0.7%	0.1%	0.1%	0.1%	0.2%	0.0%	0.0%	0.3%	0.2%
Construction	1.3%	2.3%	0.7%	0.5%	7.3%	9.0%	0.0%	0.0%	1.4%	4.8%
Wholesale and retail trade	8.7%	13.3%	2.5%	2.2%	2.4%	2.6%	7.2%	4.2%	7.1%	4.0%
Transport and storage	1.8%	3.4%	1.9%	2.3%	0.3%	0.2%	0.2%	0.0%	1.8%	1.4%
Accommodation and food service activities	0.5%	1.4%	1.2%	1.1%	4.0%	5.2%	0.0%	0.0%	0.7%	3.1%
Information and communication	1.3%	1.6%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	1.0%	0.3%
Financial institutions	1.9%	3.0%	4.0%	1.7%	0.0%	0.0%	0.0%	0.0%	2.3%	1.0%
Real estate activities	1.1%	2.3%	3.1%	3.3%	1.1%	1.5%	40.8%	80.1%	1.6%	3.6%
Professional, scientific and technical activities	0.4%	0.5%	0.1%	0.2%	3.0%	4.1%	0.0%	0.0%	0.4%	2.1%
Administrative and support service activities	0.1%	0.2%	0.1%	0.1%	0.2%	0.2%	1.3%	2.4%	0.1%	0.2%
Public administration and defence, compulsory social security	3.5%	4.4%	0.5%	0.6%	4.1%	2.8%	0.0%	0.0%	2.8%	2.2%
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%	1.0%	1.1%	0.9%	0.3%	0.3%	0.0%	0.0%	0.7%	0.6%
Arts, entertainment and recreation	0.0%	0.0%	0.6%	1.2%	0.0%	0.0%	0.0%	0.0%	0.1%	0.5%
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 September 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	4.2%	4.3%	0.7%	0.7%	5.5%	3.7%	0.0%	0.0%	3.3%	2.5%
Education	0.0%	0.0%	0.4%	0.7%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
Human health services and social work activities	0.5%	0.8%	0.6%	0.7%	0.3%	0.4%	0.7%	0.0%	0.6%	0.6%
Arts, entertainment and recreation	0.0%	0.0%	0.2%	0.5%	0.3%	0.4%	0.0%	0.0%	0.1%	0.4%
Other services	0.2%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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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 September 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Sector analysis of loans granted and impairment allowance (continued)

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

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

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 September 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.

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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 September 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Rating analysis of loans (continued)

Group	Retail lending				
	September 30, 2021				
Unaudited (*)	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,977,570	9,312	-	-	11,986,882
Good grade	4,019,624	3,298,392	-	-	7,318,016
Standard grade	1,047,603	1,397,729	-	-	2,445,333
Sub-standard grade	-	745,912	-	14,501	760,413
Non-performing	-	-	821,487	13,270	834,757
(out of which) Individual assessment	-	-	40,043	352	40,395
Not rated internally	634,728	15,613	126,102	-	776,442
Total	17,679,525	5,466,957	947,589	27,771	24,121,842
Less allowance	(141,325)	(508,013)	(712,684)	(4,087)	(1,366,109)
Net Carrying amount	17,538,200	4,958,945	234,905	23,684	22,755,733

	Non-Retail lending				
	September 30, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	417,532	-	-	-	417,532
Good grade	4,917,685	1,022,801	-	-	5,940,486
Standard grade	2,417,809	632,722	-	-	3,050,531
Sub-standard grade	37,128	428,488	-	5,265	470,881
Non-performing	-	-	369,900	27,703	397,603
(out of which) Individual assessment	-	-	335,103	26,381	361,484
Not rated internally	-	133	-	-	133
Total	7,790,154	2,084,144	369,900	32,968	10,277,166
Less allowance	(122,565)	(159,486)	(266,558)	(26,747)	(575,356)
Net Carrying amount	7,667,588	1,924,658	103,342	6,221	9,701,810

Total					
September 30, 2021					
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	12,395,102	9,312	-	-	12,404,414
Good grade	8,937,309	4,321,192	-	-	13,258,502
Standard grade	3,465,412	2,030,451	-	-	5,495,864
Sub-standard grade	37,128	1,174,400	-	19,766	1,231,294
Non-performing	-	-	1,191,388	40,973	1,232,360
(out of which) Individual assessment	-	-	375,146	26,733	401,879
Not rated internally	634,728	15,746	126,102	-	776,575
Total	25,469,679	7,551,101	1,317,489	60,739	34,399,008
Less allowance	(263,891)	(667,498)	(979,242)	(30,834)	(1,941,465)
Net Carrying amount	25,205,788	6,883,603	338,247	29,904	32,457,543

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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 September 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Rating analysis of loans (continued)

Bank	Retail lending				
	September 30, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Unaudited (*)					
Gross carrying amount					
Internal rating grade					
Very good grade	11,977,570	9,312	-	-	11,986,882
Good grade	4,019,624	3,298,392	-	-	7,318,016
Standard grade	1,047,603	1,397,729	-	-	2,445,333
Sub-standard grade	-	745,912	-	14,501	760,413
Non- performing	-	-	821,487	13,270	834,757
(out of which) Individual assessment	-	-	40,043	352	40,395
Not rated internally	352	-	-	-	352
Total	17,045,150	5,451,344	821,487	27,771	23,345,752
Less allowance	(125,616)	(502,315)	(601,816)	(4,088)	(1,233,835)
Net Carrying amount	16,919,534	4,949,030	219,671	23,683	22,111,918

Bank	Non-Retail lending				
	September 30, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	417,532	-	-	-	417,532
Good grade	4,928,394	1,021,557	-	-	5,949,951
Standard grade	2,344,073	614,664	-	-	2,958,737
Sub-standard grade	37,128	402,767	-	5,265	445,159
Non- performing	-	-	365,700	27,703	393,403
(out of which) Individual assessment	-	-	335,103	26,381	361,484
Not rated internally	-	133	-	-	133
Total	7,727,126	2,039,121	365,700	32,968	10,164,915
Less allowance	(122,185)	(157,138)	(264,186)	(26,747)	(570,257)
Net Carrying amount	7,604,941	1,881,983	101,514	6,221	9,594,659

Bank	Total				
	September 30, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	12,395,102	9,312	-	-	12,404,414
Good grade	8,948,018	4,319,949	-	-	13,267,967
Standard grade	3,391,676	2,012,393	-	-	5,404,069
Sub-standard grade	37,128	1,148,679	-	19,766	1,205,572
Non- performing	-	-	1,187,188	40,973	1,228,161
(out of which) Individual assessment	-	-	375,146	26,733	401,879
Not rated internally	352	133	-	-	486
Total	24,772,276	7,490,465	1,187,188	60,739	33,510,668
Less allowance	(247,801)	(659,454)	(866,002)	(30,834)	(1,804,091)
Net Carrying amount	24,524,475	6,831,011	321,185	29,904	31,706,576

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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 September 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Rating analysis of loans (continued)

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

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

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

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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 September 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Rating analysis of loans (continued)

Bank	Retail lending December 31, 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,168,748	10,792	-	-	11,179,540
Good grade	2,809,964	4,030,807	-	-	6,840,771
Standard grade	889,118	1,718,855	-	-	2,607,973
Sub-standard grade	-	929,590	-	14,308	943,898
Non-performing	-	-	676,735	12,080	688,815
(out of which) Individual assessment	-	-	47,792	-	47,792
Not rated internally	21,567	9	-	-	21,576
Total	14,889,396	6,690,053	676,735	26,388	22,282,572
Less allowance	(116,439)	(588,818)	(477,017)	(3,956)	(1,186,230)
Net Carrying amount	14,772,957	6,101,234	199,718	22,433	21,096,342
	Non-Retail lending December 31, 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	427,956	-	-	-	427,956
Good grade	3,486,630	872,874	-	-	4,359,504
Standard grade	2,160,477	592,937	-	-	2,753,414
Sub-standard grade	3,524	384,088	-	-	387,612
Non-performing	-	-	389,869	32,936	422,805
(out of which) Individual assessment	-	-	333,215	31,089	364,304
Total	6,078,587	1,849,899	389,869	32,936	8,351,291
Less allowance	(72,116)	(154,895)	(318,100)	(29,502)	(574,612)
Net Carrying amount	6,006,472	1,695,004	71,769	3,434	7,776,679
	Total December 31, 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Internal rating grade					
Very good grade	11,596,704	10,792	-	-	11,607,496
Good grade	6,296,593	4,903,681	-	-	11,200,275
Standard grade	3,049,595	2,311,792	-	-	5,361,387
Sub-standard grade	3,524	1,313,677	-	14,308	1,331,509
Non-performing	-	-	1,066,604	45,017	1,111,620
(out of which) Individual assessment	-	-	381,007	31,089	412,096
Not rated internally	21,567	9	-	-	21,576
Total	20,967,984	8,539,951	1,066,604	59,325	30,633,863
Less allowance	(188,555)	(743,714)	(795,117)	(33,457)	(1,760,842)
Net Carrying amount	20,779,429	7,796,237	271,487	25,868	28,873,021

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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 September 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	76,063	19,505	16,316	15	111,898
Assets derecognised or repaid (excluding write offs)	(9,930)	(36,996)	(15,851)	(76)	(62,853)
Net provision movement for assets that did not change classification	(56,551)	(3,465)	(10,192)	1,428	(68,780)
Movements due to change in classification	(5,310)	(70,698)	164,036	29	88,057
Amounts written off	-	-	(17,193)	(1,281)	(18,474)
Other adjustments	800	2,432	2,689	18	5,940
Impairment allowance as at 30 September 2021	141,325	508,012	712,684	4,087	1,366,108

	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	61,265	39,916	2,636	188	104,005
Assets derecognised or repaid (excluding write offs)	(13,220)	(9,529)	(26,592)	(429)	(49,770)
Net provision movement for assets that did not change classification	3,100	(20,076)	4,709	(1,906)	(14,174)
Movements due to change in classification	(1,902)	(9,886)	23,335	(1,035)	10,511
Amounts written off	-	-	(62,038)	-	(62,038)
Other adjustments	710	1,351	3,603	427	6,091
Impairment allowance as at 30 September 2021	122,565	159,486	266,558	26,747	575,356

	Total			POCI	Total
	Stage 1	Stage 2	Stage 3		
Impairment allowance as at 1 st January 2021	208,865	754,944	893,786	33,457	1,891,052
New assets originated or purchased	137,327	59,420	18,952	204	215,903
Assets derecognised or repaid (excluding write offs)	(23,150)	(46,524)	(42,443)	(505)	(112,623)
Net provision movement for assets that did not change classification	(53,451)	(23,541)	(5,483)	(478)	(82,953)
Movements due to change in classification	(7,212)	(80,584)	187,370	(1,006)	98,568
Amounts written off	-	-	(79,231)	(1,281)	(80,512)
Other adjustments	1,511	3,783	6,291	445	12,030
Impairment allowance as at 30 September 2021	263,890	667,498	979,242	30,835	1,941,465

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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 September 30, 2021
(Amounts in thousands RON)

8. Loans and advances to customers (continued)

Impairment allowance movement (continued)

Bank Unaudited (*)	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	75,931	17,809	1,367	15	95,122
Assets derecognised or repaid (excluding write offs)	(9,907)	(36,987)	(15,807)	(76)	(62,776)
Net provision movement for assets that did not change classification	(56,337)	(3,501)	(10,995)	1,428	(69,405)
Movements due to change in classification	(1,305)	(66,255)	164,107	29	96,575
Amounts written off	-	-	(16,506)	(1,281)	(17,787)
Other adjustments	796	2,430	2,633	18	5,876
Impairment allowance as at 30 September 2021	125,616	502,315	601,816	4,087	1,233,835
	Non-Retail lending				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2021	72,115	154,895	318,100	29,502	574,612
New assets originated or purchased	61,151	39,104	2,636	188	103,079
Assets derecognised or repaid (excluding write offs)	(13,208)	(9,491)	(26,176)	(429)	(49,304)
Net provision movement for assets that did not change classification	4,703	(20,206)	4,806	(1,906)	(12,603)
Movements due to change in classification	(3,258)	(8,490)	23,293	(1,035)	10,511
Amounts written off	-	-	(62,038)	-	(62,038)
Other adjustments	682	1,326	3,564	427	5,999
Impairment allowance as at 30 September 2021	122,185	157,138	264,186	26,747	570,256
	Total				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance as at 1 st January 2021	188,554	743,714	795,117	33,457	1,760,842
New assets originated or purchased	137,081	56,913	4,003	204	198,201
Assets derecognised or repaid (excluding write offs)	(23,115)	(46,478)	(41,982)	(505)	(112,080)
Net provision movement for assets that did not change classification	(51,635)	(23,707)	(6,188)	(478)	(82,009)
Movements due to change in classification	(4,563)	(74,744)	187,400	(1,006)	107,087
Amounts written off	-	-	(78,544)	(1,281)	(79,825)
Other adjustments	1,478	3,756	6,197	445	11,876
Impairment allowance as at 30 September 2021	247,801	659,453	866,002	30,835	1,804,091

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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 September 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 September 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 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				Total
	Stage 1	Stage 2	Stage 3	POCI	
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			POCI	Total
	Stage 1	Stage 2	Stage 3		
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 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 September 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 (*)	
	September 30, 2021	December 31, 2020
Gross investment in finance lease:		
Under 1 year	548,636	496,655
Between 1 and 5 years	829,161	712,998
Higher than 5 years	8,432	9,135
	1,386,229	1,218,788
Unearned finance income	(79,194)	(71,568)
Net investment in finance lease	1,307,035	1,147,220
Net investment in finance lease:		
Under 1 year	511,207	462,601
Between 1 and 5 years	787,623	675,885
Higher than 5 years	8,205	8,734
	1,307,035	1,147,220
	September 30, 2021	December 31, 2020
Net investment in the lease	1,307,035	1,147,220
Accumulated allowance for uncollectible minimum lease payments receivable	(85,282)	(80,321)
Total	1,221,753	1,066,899

As at September 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 (*) September 30, 2021	December 31, 2020	Unaudited (*) September 30, 2021	December 31, 2020
Less than one year	264	519	264	519
Between one and five years	401	470	401	470
More than five years	202	252	202	252
Total	867	1,241	867	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 September 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	556	1,299	893	2,748
Assets derecognised or fully repaid (excluding write offs)	(106)	(199)	(589)	(894)
Movements due to change in classification	303	(1,045)	742	-
Net movement for assets that did not change classification	(938)	1,085	4,677	4,825
Amounts written off	(0)	(2)	(1,084)	(1,086)
Foreign exchange and other adjustments	20	10	230	260
Impairment allowance as at 30 September 2021	1,127	3,075	21,345	25,547

	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	741	4,098	2,071	6,910
Assets derecognised or fully repaid (excluding write offs)	(148)	(770)	(1,019)	(1,937)
Movements due to change in classification	2,967	(4,068)	1,101	-
Net movement for assets that did not change classification	(4,408)	(1,488)	2,472	(3,423)
Amounts written off	(6)	-	(1,996)	(2,002)
Foreign exchange and other adjustments	79	91	(610)	(440)
Impairment allowance as at 30 September 2021	1,935	14,215	43,585	59,735

	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	1,297	5,397	2,964	9,658
Assets derecognised or fully repaid (excluding write offs)	(254)	(969)	(1,608)	(2,831)
Movements due to change in classification	3,270	(5,113)	1,843	-
Net movement for assets that did not change classification	(5,345)	(403)	7,149	1,401
Amounts written off	(7)	(2)	(3,080)	(3,089)
Foreign exchange and other adjustments	100	101	(380)	(180)
Impairment allowance as at 30 September 2021	3,062	17,290	64,930	85,282

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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 September 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

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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 September 30, 2021
(Amounts in thousands RON)

10. Financial assets at fair value through profit or loss

	Group		Bank	
	Unaudited (*) September 30, 2021	December 31, 2020	Unaudited (*) September 30, 2021	December 31, 2020
Equity investments	6,884	39,747	6,884	39,747
Other securities	-	45,493	-	18,637
Total	6,884	85,240	6,884	58,384

Equity investments

Other equity investments represent shares in Romanian Commodities Exchange (Bursa de Valori Bucuresti), Romanian Credit Guarantee Fund for Private Investors (Fondul Roman de Garantare a Creditorilor 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).

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 September 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 16,372,130 rated as BBB- by Standard&Poors, bonds issued by French State in amount of 687,449 rated as AA by Standard&Poors and bonds issued by the Belgian State in amount of 707,239 rated as AA by Standard&Poors.

As at September 30, 2021, these financial assets at fair value through other comprehensive income are classified as Stage 1 and ECL impairment allowance amounts to 3,198 (December 31, 2020: 2,681).

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 September 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	-	-	631	10	66,808	105,635	173,084
Transfers	16,552	-	26,235	7,878	(50,665)	-	-
Transfers into/from inventory	(16,800)	(331)	-	-	-	-	(17,131)
Disposals	(30,520)	(645)	(5,128)	(53,066)	(10,440)	(36,003)	(135,802)
as of September 30, 2021 Unaudited	1,266,314	39,461	283,896	473,484	59,660	523,448	2,646,263
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	(27,300)	(476)	(21,966)	(24,569)	-	(67,399)	(141,710)
Impairment	1,786	-	-	217	-	-	2,003
Disposals	24,451	610	5,052	50,514	-	49,943	130,570
Transfers into/from inventory	4,222	-	-	-	-	-	4,222
as of September 30, 2021 Unaudited	(782,633)	(22,505)	(212,718)	(390,607)	(1,954)	(136,956)	(1,547,373)
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 September 30, 2021 Unaudited	483,681	16,956	71,178	82,877	57,706	386,492	1,098,890

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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 September 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 12,407 as at September 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 557 (September 30, 2020: 710) has been recognised in other income.

	Bank						Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Right of use	
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	-	-	-	6	66,808	96,890	163,704
Transfers	16,552	-	26,235	7,878	(50,665)	-	-
Transfers into/from inventory	(16,800)	(331)	-	-	-	-	(17,131)
Disposals	(30,520)	(645)	(4,536)	(52,781)	(10,440)	(35,949)	(134,871)
as of September 30, 2021 Unaudited	1,256,203	39,461	274,859	473,195	59,658	497,340	2,600,715
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	(27,111)	(476)	(21,122)	(24,412)	-	(63,173)	(136,294)
Impairment	1,786	-	-	217	-	-	2,003
Disposals	24,451	610	4,535	50,231	-	45,027	124,854
Transfers into/from inventory	4,220	-	-	-	-	-	4,220
as of September 30, 2021 Unaudited	(777,221)	(22,504)	(205,577)	(390,426)	(1,954)	(126,165)	(1,523,847)
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 September 30, 2021 Unaudited	478,982	16,957	69,282	82,769	57,704	371,175	1,076,868

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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 September 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	84,944	1,314	10,745	97,003
Depreciation expense	(61,242)	(2,075)	(4,082)	(67,399)
Disposals and other decreases	(12,349)	-	-	(12,349)
Contractual changes	34,854	67	-	34,921
as of September 30, 2021	369,610	4,816	12,066	386,492
	Lease liabilities			
as of January 1, 2021	342,813			
Additions	97,003			
Disposals and other decreases	(16,143)			
Other movements (FX, other contractual changes)	41,401			
Interest expense	3,404			
Payments	(70,332)			
as of September 30, 2021	398,146			
Bank	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
Unaudited (*)				
as of January 1, 2021	319,395	4,514	4,471	328,380
Additions	84,933	1,314	10,643	96,890
Depreciation expense	(57,577)	(2,075)	(3,521)	(63,173)
Disposals and other decreases	(12,348)	-	-	(12,348)
Contractual changes	21,426	-	-	21,426
as of September 30, 2021	355,829	3,753	11,593	371,175
	Lease liabilities			
as of January 1, 2021	336,838			
Additions	96,890			
Disposals and other decreases	(15,449)			
Other movements (FX, other contractual changes)	27,301			
Interest expense	3,303			
Payments	(65,946)			
as of September 30, 2021	382,937			

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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 September 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			
	Bank			
	Right-of-use assets			
	Land & Buildings	IT Office equipments	Cars and other assets	Total
as of January 1, 2020	382,680	6,087	7,719	396,486
Additions	8,586	598	431	9,615
Depreciation expense	(79,047)	(2,441)	(3,704)	(85,192)
Disposals and other decreases	(16,227)	351	25	(15,851)
Contractual changes	23,403	(81)	-	23,322
as of December 31, 2020	319,395	4,514	4,471	328,380
	Lease liabilities			
as of January 1, 2020	406,523			
Additions	9,614			
Disposals and other decreases	(25,830)			
Other movements (FX, other contractual changes)	10,851			
Interest expense	4,848			
Payments	(69,168)			
as of December 31, 2020	336,838			

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 September 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 Société Générale Bucharest.

As at September 30, 2021, the branch had a number of 3,432 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 September 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	68,028	67,357
Disposals	(6,906)	-
as of September 30, 2021 Unaudited	<u>789,954</u>	<u>763,466</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	(40,245)	(39,284)
Disposals	5,731	-
as of September 30, 2021 Unaudited	<u>(515,967)</u>	<u>(491,094)</u>
Net book value:		
as of December 31, 2019	185,289	181,424
as of December 31, 2020	247,379	244,299
as of September 30, 2021 Unaudited	273,987	272,372

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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 September 30, 2021
(Amounts in thousands RON)

15. Other assets

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30,	December 31,	September 30,	December 31,
	2021	2020	2021	2020
Advances to suppliers	85,052	49,052	-	-
Sundry receivable	126,980	177,748	116,655	167,833
Prepaid expenses	51,846	43,293	41,292	34,748
Repossessed assets	2,328	6,698	924	5,171
Other assets	9,782	16,276	4,312	9,931
Total	275,988	293,067	163,183	217,683

The sundry receivables balances includes various commissions, sundry debtors, dividends and are net of impairment allowance, which at Group level is 165,676 (December 31, 2020: 117,001) and at Bank level is 156,555 (December 31, 2020: 107,223).

As of September 30, 2021 the carrying value of repossessed assets for Group is 2,328 (December 31, 2020: 6,698). As of September 30, 2021 the carrying value of repossessed assets for Bank is 924 (December 31, 2020: 5,171). The residential buildings were reclassified into category Non-current assets held for sale and represent 6 residential buildings as at September 30, 2021.

Group Unaudited (*)

Sundry receivables

Impairment allowance as at January 1, 2021

Additional expenses	68,491
Reversals of provisions	(10,646)
Receivables written off	(8,674)
Foreign exchange adjustments	(496)

Impairment allowance as at September 30, 2021

165,676

Total (Stage3)

Impairment allowance as at 1 st January 2020

Additional expenses	88,787
Reversals of provisions	52,176
Receivables written off	(21,420)
Foreign exchange adjustments	(2,441)
	(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 September 30, 2021
(Amounts in thousands RON)

15. Other assets (continued)

Bank Unaudited (*)		Total (Stage3)
Sundry receivables		107,223
Impairment allowance as at January 1, 2021		67,330
Additional expenses		(9,653)
Reversals of provisions		(7,835)
Receivables written off		(511)
Foreign exchange adjustments		
Impairment allowance as at September 30, 2021		156,555
		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 (*) September 30, 2021	December 31, 2020	Unaudited (*) September 30, 2021	December 31, 2020
Demand deposits	368,103	173,678	368,103	173,678
Term deposits	24,751	25,333	24,751	25,333
Due to banks	392,854	199,011	392,854	199,011

17. Due to customers

	Group		Bank	
	Unaudited (*) September 30, 2021	December 31, 2020	Unaudited (*) September 30, 2021	December 31, 2020
Demand deposits	43,397,648	38,464,257	43,512,685	38,572,697
Term deposits	10,406,714	11,493,497	10,477,711	11,579,429
Due to customers	53,804,362	49,957,754	53,990,396	50,152,126

18. Borrowed funds

	Group		Bank	
	Unaudited (*) September 30, 2021	December 31, 2020	Unaudited (*) September 30, 2021	December 31, 2020
Borrowings from related parties	1,478,603	1,408,308	111	190
Borrowings from international financial institutions	348,784	334,044	3,723	6,575
Other borrowings	1,000,049	-	1,000,049	-
Total	2,827,436	1,742,352	1,003,883	6,765

Funds borrowed from related parties are senior unsecured and are used in the normal course of business. Line Other borrowings includes a lombard loan from National Bank of Romania.

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 September 30, 2021
(Amounts in thousands RON)

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 September 30, 2021 the Group has a current tax liability in total amount of 96,603 (December 31, 2020: 2,069) and 7,484 current tax asset (December 31, 2020: 4,911) and at Bank level a current tax liability in total amount of 90,047 (December 31, 2020: 0) and 7,484 current tax asset (December 31, 2020: 4,905).

The deferred tax liability/asset is reconciled as follows:

	Group			
	September 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	98,720	(15,795)	-	133,986
Tangible and intangible assets	(98,350)	15,736	(5,903)	-
Provisions and other liabilities	(626,009)	100,161	(3,261)	-
Taxable items	(607,516)			
Deferred tax		97,202	(9,163)	133,986

	Bank			
	September 30, 2021 Unaudited (*)			
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	98,720	(15,795)	-	133,986
Tangible and intangible assets	(98,433)	15,749	(5,918)	-
Provisions and other liabilities	(547,856)	87,657	(5,450)	-
Taxable items	(529,447)			
Deferred tax		84,711	(11,367)	133,986

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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 September 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	133,986	133,986
Deferred tax recognized in profit and loss	(9,163)	(11,367)
Deferred tax asset, net as of September 30, 2021	97,202	84,711

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 September 30, 2021
(Amounts in thousands RON)

19. Taxation (continued)

Reconciliation of total tax charge

	Group		Bank	
	Unaudited (*) Nine months ended September 30, 2021	Unaudited (*) Nine months ended September 30, 2020	Unaudited (*) Nine months ended September 30, 2021	Unaudited (*) Nine months ended September 30, 2020
Profit before income tax	1,157,518	866,883	1,115,055	842,576
Income tax (16%)	185,203	138,701	178,409	134,812
Fiscal credit	(4,250)	(19,012)	(2,695)	(17,539)
Other income tax elements	35,625	-	35,625	-
Non-deductible elements	30,505	15,598	22,552	10,953
Non-taxable elements	(9,908)	(6,491)	(5,209)	(4,302)
Expense from income tax at effective tax rate	237,175	128,797	228,682	123,924
Effective tax rate	20.5%	14.9%	20.5%	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 September 30, 2021, permanent non-deductible elements include the impact of provisions for overdue commissions 7,353 (September 30, 2020: 5,877), sponsorship expenses with an impact of 659 (September 30, 2020: 1,080), and debt sales and other operations with limited deductibility in amount of 6,221 (September 30, 2020: 660); permanent non-taxable elements are mainly a result of releases for provisions for over-due commissions in amount of 1,393 (September 30, 2020: 2,503), provisions and risk and charges/litigations 438 (September 30, 2020: 782) and dividends with an impact of 3,257 (September 30, 2020: 1,133).

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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 September 30, 2021
(Amounts in thousands RON)

20. 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	3,923	3,080	3,255	10,258
New commitments originated or purchased	6,637	1,026	485	8,148
Commitments derecognised or transferred into assets	(621)	(435)	(187)	(1,243)
Net provision movement not resulting from changes in classification	(5,898)	332	(71)	(5,637)
Movements due to change in classification	(470)	(832)	(613)	(1,915)
Other adjustments	4	3	1	8
Provision as at 30 September 2021	3,575	3,174	2,870	9,619
	Non-Retail			
	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 st January 2021	32,754	52,855	272,841	358,450
New commitments originated or purchased	39,319	13,906	993	54,218
Commitments derecognised or transferred into assets	(11,763)	(7,556)	(10,746)	(30,065)
Net provision movement not resulting from changes in classification	(14,895)	(14,600)	(49,364)	(78,859)
Movements due to change in classification	569	(6,638)	(3,750)	(9,819)
Other adjustments	271	488	3,166	3,925
Provision as at 30 September 2021	46,255	38,455	213,140	297,850
	Total			
	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 st January 2021	36,676	55,934	276,096	368,707
New commitments originated or purchased	45,956	14,932	1,478	62,366
Commitments derecognised or transferred into assets	(12,384)	(7,991)	(10,933)	(31,308)
Net provision movement not resulting from changes in classification	(20,793)	(14,268)	(49,435)	(84,496)
Movements due to change in classification	99	(7,470)	(4,363)	(11,734)
Other adjustments	275	491	3,167	3,933
Provision as at 30 September 2021	49,829	41,628	216,010	307,468

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 September 30, 2021
(Amounts in thousands RON)

20. Provisions (continued)

Financial guarantees and loan commitments provisions movement (continued)

Bank	Retail lending			Total
	Stage 1	Stage 2	Stage 3	
Unaudited (*)				
Provision as at 1 st January 2021	3,913	3,080	3,255	10,248
New commitments originated or purchased	6,614	1,011	485	8,110
Commitments derecognised or transferred into assets	(609)	(435)	(187)	(1,231)
Net provision movement not resulting from changes in classification	(5,897)	334	(71)	(5,634)
Movements due to change in classification	(470)	(832)	(613)	(1,915)
Other adjustments	1	2	1	4
Provision as at 30 September 2021	3,552	3,160	2,870	9,582
	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	39,294	13,457	742	53,493
Commitments derecognised or transferred into assets	(11,738)	(7,421)	(10,746)	(29,905)
Net provision movement not resulting from changes in classification	(14,894)	(14,599)	(49,364)	(78,857)
Movements due to change in classification	569	(6,635)	(3,750)	(9,816)
Other adjustments	270	443	2,159	2,872
Provision as at 30 September 2021	46,228	38,029	224,458	308,715
	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	45,908	14,468	1,227	61,603
Commitments derecognised or transferred into assets	(12,347)	(7,856)	(10,933)	(31,136)
Net provision movement not resulting from changes in classification	(20,791)	(14,265)	(49,435)	(84,491)
Movements due to change in classification	99	(7,467)	(4,363)	(11,731)
Other adjustments	271	445	2,160	2,876
Provision as at 30 September 2021	49,780	41,189	227,328	318,297

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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 September 30, 2021
(Amounts in thousands RON)

20. 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

(*) 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 September 30, 2021
(Amounts in thousands RON)

20. 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

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 September 30, 2021
(Amounts in thousands RON)

20. Provisions (continued)

The line Provisions includes also Other provisions representing provisions for litigation in amount of 17,727 as of September 30, 2021 (15,491 as of December 31, 2020) and provisions for risks related to banking activity in amount of 12,234 as of September 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	8,842
Reversals of provisions	(6,441)
Usage	(3,100)
Carrying value as of September 30, 2021 Unaudited	72,694
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	8,538
Reversals of provisions	(6,442)
Usage	(3,093)
Carrying value as of September 30, 2021 Unaudited	53,419

21. Other liabilities

	Group		Bank	
	Unaudited (*) September 30, 2021	December 31, 2020	Unaudited (*) September 30, 2021	December 31, 2020
Sundry creditors	254,117	235,462	173,187	178,249
Other payables to State budget	27,677	48,366	26,271	46,994
Deferred income	31,200	24,045	31,151	24,045
Payables to employees	151,881	154,132	140,042	145,250
Creditors - Lease liabilities	398,146	342,813	382,937	336,838
Total	863,021	804,818	753,588	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 55,057 as of September 30, 2021 (December 31, 2020: 61,122) and post-employment benefits amounting 68,742 as of September 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: 68,742 as of September 30, 2021 from 65,651 as of December 31, 2020.

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 September 30, 2021
(Amounts in thousands RON)

22. 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 September 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.

23. Interest and similar income

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended	Nine months ended	Nine months ended	Nine months ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Interest on loans	1,193,272	1,276,650	1,119,875	1,194,926
Interest on finance lease	39,613	34,770	-	-
Interest on deposit with banks	14,955	18,876	14,468	18,376
Interest on financial assets at FVOCI	387,129	350,019	387,129	350,019
Interest from hedging instruments	13,653	11,524	13,653	11,524
Total	1,648,622	1,691,839	1,535,125	1,574,845

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 38,983 for Bank (2020: 47,107) and of 43,353 for Group (2020: 52,870).

24. Interest and similar expense

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months	Nine months	Nine months	Nine months
	ended September	ended September	ended September	ended September
	30, 2021	30, 2020	30, 2021	30, 2020
Interest on term deposits	52,764	61,576	53,255	62,124
Interest on demand deposits	39,298	45,296	40,020	46,337
Interest on borrowings	16,448	20,980	8	5
Interest expense on lease liabilities	3,402	3,823	3,303	3,736
Total	111,912	131,675	96,586	112,202

25. Fees and commissions, net

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended	Nine months ended	Nine months ended	Nine months ended
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Services	473,320	423,994	462,076	415,466
Management fees	82,263	81,595	82,263	81,595
Packages	41,957	38,124	41,957	38,124
Transfers	54,884	53,160	54,884	53,160
OTC withdrawal	53,475	41,656	53,475	41,656
Cards	170,627	148,845	170,627	148,845
Brokerage and custody	36,896	30,462	36,896	30,462
Other	33,216	30,151	21,969	21,657
Loan activity	81,172	82,184	64,180	63,158
Off balance sheet	25,814	21,932	25,814	21,932
Total	580,304	528,109	552,065	500,589

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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 September 30, 2021
(Amounts in thousands RON)

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

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
FX position revaluation	(1,506)	(728)	(1,506)	(728)
FX Spot	138,235	120,056	137,724	119,084
Gain on instruments held for trading	23,487	31,435	23,487	31,435
Derivative financial instruments	28,495	51,128	28,496	51,128
Gain/ (loss) on interest rate derivatives	(1,517)	2,089	(1,517)	2,089
Gain/ (loss) on currency and interest swap	5,171	(525)	5,171	(525)
Gain on forward foreign exchange contracts	18,231	48,419	18,231	48,419
Gain on currency options	2,677	3,070	2,677	3,070
Gain/ (loss) on hedging	4,075	(382)	4,075	(382)
Other	(142)	(1,544)	(141)	(1,544)
Gain on derivative, other financial instruments held for trading and foreign exchange	188,711	201,891	188,201	200,919

27. Other income/expense from banking activities

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Dividend income	-	-	15,966	-
Provision for litigations	(2,245)	474	(2,236)	474
Held for sale fixed assets expenses	3,669	(199)	4,619	1,280
Other income/(expenses)	(341)	975	(4,767)	(2,706)
Total income / (expense) from banking activity	1,083	1,250	13,582	(952)

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

28. 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 September 30, 2021
(Amounts in thousands RON)

28. 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.

29. Personnel expenses

	Group Unaudited (*)		Bank Unaudited (*)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Salaries	550,825	557,413	515,807	520,435
Social security	12,875	12,803	11,756	12,058
Bonuses	44,145	36,386	38,730	34,691
Post-employment benefits	3,914	3,646	3,914	3,646
Other	5,095	7,073	3,575	6,358
Total	616,855	617,321	573,782	577,188

In 2021, the expense related to the Bank defined benefit plan contribution was 1,931 (2020: 2,268).

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

	Group Unaudited (*)		Bank Unaudited (*)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Depreciation and impairment	139,231	142,876	133,815	137,465
Amortisation	40,245	34,216	39,284	33,053
Total	179,476	177,092	173,099	170,518

The difference as at September 30, 2021 between the amount presented in note 12 and the amount presented in note 30 represents depreciation of investment property in total amount of 476 (2020: 1,007).

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 September 30, 2021
(Amounts in thousands RON)

31. Other operating expense

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Administrative expenses	306,512	281,713	290,416	267,162
Publicity and sponsorships	13,317	14,083	13,160	13,889
Other expenses	54,046	54,332	46,541	48,721
Total	373,875	350,128	350,117	329,772

Administrative expenses include for the Bank maintenance expenses, various utilities such as energy and telecommunication, expenses related to short-term leases of 4,366 (September 30, 2020: 3,602) and to leases of low-value assets of 2,864 (September 30, 2020: 2,498).

32. Cost of risk

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net impairment allowance for loans	104,898	303,932	97,444	283,849
Net impairment allowance for sundry debtors	57,389	20,882	57,285	21,023
Net impairment allowance for finance lease	9,607	9,995	-	-
Income from recoveries of derecognized receivables & sales of bad debts	(155,123)	(83,686)	(140,614)	(80,907)
Write-offs	6,185	11,931	4,725	11,039
Financial guarantee and loan contracts provisions	(65,171)	(9,943)	(65,756)	(9,766)
Net impairment allowance for debt securities	519	126	518	126
Total	(41,696)	253,237	(46,398)	225,364

33. 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 96,777 (December 31, 2020: 111,608) and loans to banks, with more than 90 days maturity from the date of acquisition in amount of 19,326 (December 31, 2020: 18,327) for the Bank and also the ones amounting 35,750 (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 (*)		Unaudited (*)	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Cash in hand	2,438,412	1,889,556	2,438,408	1,889,552
Current accounts and deposits with banks	6,269,310	5,369,711	6,269,311	5,369,709
Total	8,707,722	7,259,266	8,707,719	7,259,261

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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 September 30, 2021
(Amounts in thousands RON)

33. Cash and cash equivalents details (continued)

Impairment and provisions adjustment for non-cash items:

	Group Unaudited (*)		Bank Unaudited (*)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
	Net impairment allowance for loans	104,898	303,932	97,444
Net impairment allowance for sundry debtors	57,389	20,882	57,285	21,023
Net impairment allowance for financial leases	9,607	9,995	-	-
Write-offs	6,185	11,931	4,725	11,039
Financial guarantee and loan contracts provisions	(65,171)	(9,943)	(65,756)	(9,766)
Net movement in other provisions	(699)	(5,936)	(997)	(5,880)
Net impairment allowance for debt securities	519	126	518	126
Total	112,728	330,987	93,219	300,391

34. 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.

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 Unaudited (*)		Bank Unaudited (*)	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
	Letters of guarantee granted	5,179,721	4,877,225	5,193,714
Financing commitments granted	5,544,130	4,148,139	5,044,031	3,725,475
Total commitments granted	10,723,851	9,025,364	10,237,745	8,615,738
Uncommitted facilities granted	8,862,852	9,048,662	8,929,442	9,113,659
Letters of guarantee received	19,867,533	15,592,838	19,867,533	15,592,838
Financing commitments received	-	486,940	-	486,940
Total commitments received	19,867,533	16,079,778	19,867,533	16,079,778

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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 September 30, 2021
(Amounts in thousands RON)

35. Other commitments

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	September 30,	December 31,	September 30,	December 31,
	2021	2020	2021	2020
Tangible non-current assets	6,470	5,410	6,470	5,410
Intangible non-current assets	23,496	29,891	23,496	29,891
Commitments relating to short-term and low value leases	19,126	23,433	19,126	23,433
Total	49,092	58,734	49,092	58,734

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

As at September 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 (*)		Unaudited (*)	
	September 30,	December 31,	September 30,	December 31,
	2021	2020	2021	2020
Less than one year	9,506	11,058	9,506	11,058
Between one and five years	6,807	8,560	6,807	8,560
More than five years	63	58	63	58
Total	16,376	19,676	16,376	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 September 30, 2021
(Amounts in thousands RON)

36. Related parties

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

	Group							
	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	141,153	76,646	10,354	8,330	1,181,497	28,378	6,504	7,578
Nostro accounts	53,510	60,268	-	-	71,819	13,747	-	-
Deposits	16,425	-	-	-	38,059	-	-	-
Loans	19,326	16,310	5,429	8,325	990,562	14,546	3,370	7,570
Derivative financial instruments	51,873	-	-	5	79,027	-	-	7
Other assets	20	69	4,925	1	2,031	85	3,134	1
Liabilities	1,587,702	181,322	78,147	15,612	1,571,169	180,148	77,027	14,857
Loro accounts	43	11,915	-	-	114	616	-	-
Deposits	36,811	167,913	63,362	15,612	68,245	178,284	70,196	14,857
Borrowings	1,478,603	-	-	-	1,408,309	-	-	-
Derivative financial instruments	41,969	-	-	-	41,522	-	-	-
Other liabilities	30,276	1,494	14,785	-	52,980	1,248	6,831	-
Commitments	7,345,945	159,593	82,334	976	8,693,844	168,417	37,794	1,014
Total commitments granted	153,761	71,002	25,000	541	139,000	75,170	-	577
Total commitments received	217,771	87,257	32,651	212	694,906	85,211	11,924	215
Uncommitted facilities granted	2,968	1,335	24,683	-	-	8,036	25,870	-
Notional amount of foreign exchange transactions	2,777,297	-	-	224	3,589,333	-	-	222
Notional amount of interest rate derivatives	4,194,148	-	-	-	4,270,606	-	-	-
Income statement	(50,462)	(7,110)	5,097	119	(9,794)	(5,730)	21,413	8
Interest and commission revenues	15,491	1,674	19,161	168	12,374	3,557	22,585	34
Interest and commission expense	(19,277)	(1,893)	(4,734)	(27)	(24,150)	(1,602)	(2,100)	(18)
Net gain/(loss) on interest rate derivatives	(37,891)	-	-	(4)	(9,197)	-	-	(0)
Net gain/(loss) on foreign exchange derivatives	18,166	-	-	-	41,815	-	-	-
Dividend income	-	-	3,349	-	-	-	6,191	-
Other income	410	(308)	1,410	-	(735)	(229)	56	-
Other expenses	(27,361)	(6,583)	(14,089)	(18)	(29,901)	(7,456)	(5,319)	(8)

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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 September 30, 2021
(Amounts in thousands RON)

36. 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	124,728	76,646	41,994	8,711	8,330	1,143,439	28,378	44,560	4,589	7,578
Nostro accounts	53,510	60,268	-	-	-	71,819	13,747	-	-	-
Loans	19,326	16,310	39,277	5,429	8,325	990,562	14,546	42,555	3,370	7,570
Derivative financial instruments	51,873	-	10	-	5	79,027	-	-	-	7
Other assets	19	69	2,708	3,282	1	2,031	85	2,005	1,218	1
Liabilities	105,498	181,271	186,670	77,478	15,612	161,894	180,133	194,979	76,040	14,857
Loro accounts	43	11,915	-	-	-	114	616	-	-	-
Deposits	36,811	167,913	186,548	63,362	15,612	68,245	178,284	194,778	70,196	14,857
Lease payable	-	-	111	-	-	-	-	190	-	-
Derivative financial instruments	41,969	-	-	-	-	41,522	-	-	-	-
Other liabilities	26,675	1,443	11	14,116	-	52,014	1,233	11	5,844	-
Commitments	7,345,945	159,593	104,673	82,334	976	8,693,844	168,417	90,141	37,794	1,014
Total commitments granted	153,761	71,002	30,662	25,000	541	139,000	75,170	25,144	-	577
Total commitments received	217,771	87,257	-	32,651	212	694,906	85,211	-	11,924	215
Uncommitted facilities granted	2,968	1,335	66,590	24,683	-	-	8,036	64,997	25,870	-
Notional amount of foreign exchange transactions	2,777,297	-	7,421	-	224	3,589,333	-	-	-	222
Notional amount of interest rate derivatives	4,194,148	-	-	-	-	4,270,606	-	-	-	-
Income statement	(34,883)	(7,187)	31,796	(2,312)	137	9,528	(6,234)	12,810	13,095	8
Interest and commission revenues	15,004	1,105	14,499	10,773	168	11,872	2,872	12,236	13,193	34
Interest and commission expense	(4,122)	(1,893)	(1,214)	(4,730)	(27)	(4,917)	(1,602)	(1,587)	(2,097)	(18)
Net gain/(loss) on interest rate derivatives	(37,891)	-	-	-	(4)	(9,197)	-	-	-	(0)
Net gain/(loss) on foreign exchange derivatives	18,166	-	114	-	-	41,815	-	64	-	-
Dividend income	-	-	15,966	3,349	-	-	-	-	6,191	-
Other income	410	(308)	(204)	1,353	-	(735)	(229)	(184)	(0)	-
Other expenses	(26,450)	(6,091)	2,636	(13,057)	(18)	(29,309)	(7,275)	2,280	(4,192)	(8)

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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 September 30, 2021
(Amounts in thousands RON)

36. Related parties (continued)

Other liabilities and other expenses include mainly corporate and technical assistance with Société Générale Paris.

The Bank has collateral received from SG Paris regarding derivative instruments in total amount of 13,390 at September 30, 2021 (December 31, 2020: 47,088).

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

37. Contingencies

As of September 30, 2021 the Bank is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 695,053 (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 18,947 (December 31, 2020: 16,711) and the Group 38,222 (December 31, 2020: 35,689) in relation with the litigations.

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

	Group		Bank	
	Unaudited (*)		Unaudited (*)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Ordinary shares on market	696,901,518	696,901,518	696,901,518	696,901,518
Profit attributable to shareholders	910,328	731,741	886,373	718,652
Earnings per share (in RON)	1.3063	1.0500	1.2719	1.0312

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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 September 30, 2021
(Amounts in thousands RON)

39. 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

(*) 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 September 30, 2021
(Amounts in thousands RON)

39. Fair value (continued)

	Group				Bank			
	September 30, 2021 Unaudited (*)				September 30, 2021 Unaudited (*)			
<u>Assets measured at fair value</u>	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	43,002	-	43,002	-	43,002	-	43,002
Currency swaps	-	4,907	-	4,907	-	4,907	-	4,907
Forward foreign exchange contracts	-	5,713	-	5,713	-	5,723	-	5,723
Options	-	-	21,538	21,538	-	-	21,538	21,538
	-	53,622	21,538	75,160	-	53,632	21,538	75,170
Financial assets at fair value through other comprehensive income	17,766,818	-	-	17,766,818	17,766,818	-	-	17,766,818
Equity investments (listed)	2,842	-	-	2,842	2,842	-	-	2,842
Equity investments (not listed)	-	-	4,043	4,043	-	-	4,043	4,043
Total	17,769,660	-	4,043	17,773,702	17,769,660	-	4,043	17,773,702
Other financial instruments held for trading	2,406,926	-	-	2,406,926	2,394,964	-	-	2,394,964
Total	20,176,586	53,622	25,581	20,255,787	20,164,623	53,632	25,581	20,243,836
<u>Assets for which fair value is disclosed</u>								
Cash in hand	2,438,412	-	-	2,438,412	2,438,408	-	-	2,438,408
Due from Central Bank	4,047,520	-	-	4,047,520	4,047,520	-	-	4,047,520
Due from banks	6,401,837	-	-	6,401,837	6,385,413	-	-	6,385,413
Loans and advances to customers	-	-	32,488,140	32,488,140	-	-	31,802,072	31,802,072
Financial lease receivables	-	-	1,223,240	1,223,240	-	-	-	-
Total	12,887,769	-	33,711,379	46,599,148	12,871,341	-	31,802,072	44,673,413

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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 September 30, 2021
(Amounts in thousands RON)

39. Fair value (continued)

	Group				Bank			
	September 30, 2021 Unaudited (*)				September 30, 2021 Unaudited (*)			
	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	-	35,633	-	35,633	-	35,633	-	35,633
Currency swaps	-	4,500	-	4,500	-	4,500	-	4,500
Forward foreign exchange contracts	-	6,346	-	6,346	-	6,346	-	6,346
Options	-	-	21,560	21,560	-	-	21,560	21,560
Total	-	46,479	21,560	68,039	-	46,479	21,560	68,039
Other financial instruments held for trading	374,236	-	-	374,236	374,236	-	-	374,236
Total	374,236	46,479	21,560	442,275	374,236	46,479	21,560	442,275
<u>Liabilities for which fair value is disclosed</u>								
Due to banks	392,854	-	-	392,854	392,854	-	-	392,854
Due to customers	-	53,808,144	-	53,808,144	-	53,994,191	-	53,994,191
Borrowed funds	-	2,827,436	-	2,827,436	-	1,003,883	-	1,003,883
Total	392,854	56,635,580	-	57,028,434	392,854	54,998,074	-	55,390,928

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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 September 30, 2021
(Amounts in thousands RON)

39. 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	15,943,470	-	-	15,943,470	15,943,470	-	-	15,943,470
Equity investments (listed)	2,626	-	-	2,626	2,626	-	-	2,626
Equity investments (not listed)	-	-	37,121	37,121	-	-	37,121	37,121
Other securities quoted	-	45,493	-	45,493	-	18,637	-	18,637
Total	15,946,096	45,493	37,121	16,028,710	15,946,096	18,637	37,121	16,001,854
Other financial instruments held for trading	2,270,075	-	-	2,270,075	2,270,075	-	-	2,270,075
Total	18,216,171	162,510	50,394	18,429,075	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 September 30, 2021
(Amounts in thousands RON)

39. 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
<u>Liabilities measured at fair value</u>								
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
<u>Liabilities for which fair value is disclosed</u>								
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 September 30, 2021
(Amounts in thousands RON)

39. 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 September 30, 2021
(Amounts in thousands RON)

39. 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 September 30, 2021
(Amounts in thousands RON)

39. Fair value (continued)

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

	Group				Bank			
	September 30, 2021 Unaudited (*)		December 31, 2020		September 30, 2021 Unaudited (*)		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash in hand	2,438,412	2,438,412	1,889,556	1,889,556	2,438,408	2,438,408	1,889,552	1,889,552
Due from Central Bank	4,047,520	4,047,520	5,223,833	5,223,833	4,047,520	4,047,520	5,223,833	5,223,833
Due from banks	6,401,837	6,401,837	5,516,842	5,516,842	6,385,413	6,385,413	5,499,644	5,499,644
Loans and advances to customers	32,457,543	32,488,140	29,642,998	29,844,021	31,706,577	31,802,072	28,873,021	29,160,124
Financial lease receivables	1,221,753	1,223,240	1,066,899	1,067,860	-	-	-	-
	46,567,065	46,599,148	43,340,128	43,542,112	44,577,918	44,673,413	41,486,050	41,773,153
Financial liabilities								
Due to banks	392,854	392,854	199,011	199,011	392,854	392,854	199,011	199,011
Due to customers	53,804,362	53,808,144	49,957,754	49,959,911	53,990,396	53,994,191	50,152,126	50,154,291
Borrowed funds	2,827,436	2,827,436	1,742,352	1,742,352	1,003,883	1,003,883	6,765	6,765
	57,024,652	57,028,434	51,899,117	51,901,274	55,387,133	55,390,928	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 September 30, 2021
(Amounts in thousands RON)

39. 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	-	7,064	7,064
Sales	(35,434)	(104)	(104)
Reimbursements	-	(4,529)	(4,529)
Gain losses from change in fair value	1,367	5,834	5,772
Translation differences	989	-	-
Closing balance as at September 30, 2021 Unaudited	4,043	21,538	21,560

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.

40. Subsequent events

No subsequent event was identified after the reporting date.

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