<table>
<tr><th colspan="5">NOTE</th></tr>
<tr><td rowspan="4">AUTHOR</td><td>Note number</td><td colspan="3">- 208 / 09/03/2020</td></tr>
<tr><td>Functional entity</td><td colspan="3">Directia Contabilitate</td></tr>
<tr><td>Confidentiality level</td><td colspan="3">Confidential</td></tr>
<tr><td>Name, first name</td><td colspan="3">Maria Codau David BCR</td></tr>
<tr><td>1. Referring to</td><td colspan="4">Separate and consolidated annual Financial Statements for 2019 financial year and the related reports</td></tr>
<tr><td rowspan="11">2. For</td><td></td><td>Information</td><td>Pre-approval</td><td>Approval</td></tr>
<tr><td>DE</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>VPC</td><td>☐</td><td>☒</td><td>☐</td></tr>
<tr><td>ALCO</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>MB</td><td>☐</td><td>☒</td><td>☐</td></tr>
<tr><td>Risk Committee</td><td>☐</td><td>☐</td><td>☐</td></tr>
<tr><td>SB</td><td>☐</td><td>☒</td><td>☐</td></tr>
<tr><td>GMS</td><td>☐</td><td>☐</td><td>☒</td></tr>
<tr><td rowspan="3">Other level</td><td>☐</td><td>N/A</td><td>☐</td></tr>
<tr><td colspan="3">N/A</td></tr>
<tr><td colspan="3">N/A</td></tr>
<tr><td colspan="2">3. Call notice chapter</td><td colspan="3">Topics for approval</td></tr>
<tr><td colspan="2">4. Proposed resolution draft [2]</td><td colspan="3">Preliminary approval of the Management Board and submitting for the review of the Audit Committee, for the preliminary approval of the Supervisory Board and for the approval of the Ordinary General Shareholder meeting of the
annual financial statements for the year 2019, for BCR separate and consolidated for BCR Group prepared in accordance with International Financial Reporting Standards, audited, together with the following reports:
a) Separate and Consolidated Administrators' Report for the year 2019 prepared in accordance with NBR Order 27/2010 with further amendments;
b) Independent auditor's report on the annual separate financial statements of BCR Bank and on the annual consolidated financial statements of BCR Group for the year 2019 prepared in accordance with IFRS;
c) Annual Report in accordance with ASF Regulation no. 5/2018 - Annex 15 with subsequently amendments and supplements.</td></tr>
</table>

5. Content:

5.1 Legal requirements

5.1.1. Annual Financial Statements

BCR prepares, approves and publish the separate and consolidated Annual Financial Statements audited as at 31.12.2019, in accordance with the Accounting Law no. 82/1991, with subsequently amendments and supplements and the Accounting Regulations according to IFRS applicable to credit institutions approved

[2] To be filled in case of documents submitted for pre-approval/ approval to several committees

through the NBR Order no. 27/2010 with subsequently amendments and supplements.

The separate and consolidated annual Financial Statements for the financial exercise as at 31 December 2019 are subject to GSM's approval together and based on:

- The Independent Auditor's Report
- The separate and consolidated Administrator's Report.

The separate and consolidated annual Financial Statements, the separate and consolidated Administrator's Report and the Audit Report for the financial exercise as at 31 December 2019 and also the declaration of the responsible persons prepared in accordance with the articles 30 and 31 of the Accounting Law no. 82/1991 are to be published after General Shareholders' Meeting approval, as well as posted on BCR website at the date of the General Shareholders Meeting call notice for the shareholders information.

5.1.2. Annual report prepared in accordance with ASF Regulation no. 5/2018 (Annex 15) with subsequently amendments and supplements

The Bank issued bonds that are quoted on Luxembourg Stock Exchange and Bucharest Stock Exchange. The documentation of the Euro Medium Term Notes (EMTN) Programme issued by Banca Comerciala Romana requires BCR to choose the home member state for transparency purposes (in accordance with Transparency Directive 2004/109/EC), and BCR chose Romania as home member state. As such, according to the provisions of the EU Transparency Directive, BCR has to comply with reporting requirements towards Note holders, which presumes submitting to Financial Supervisory Authority (ASF) and publishing on the BCR's internet page the reports mentioned in the Transparency Directive (Regulation ASF no.5/2018 regarding issuers of securities). On top of the yearly financial statements, the Bank has to prepare also an annual report, signed by the Bank's administrators, that complies with the structure of the necessary information as detailed in Annex 15 to ASF's Regulation 5/ 2018.

5.2 Summary of the separate and consolidated financial results

Main items of the Balance Sheet and the Income Statement are depicted below:

	BCR Grup			Bank		
RON mil.	**31-Dec-19**	**31-Dec-18**	**Delta (%)**	**31-Dec-19**	**31-Dec-18**	**Delta (%)**
Total assets	74,938	71,530	5%	71,441	67,909	5%
Total equity	8,472	8,367	1%	8,305	8,138	2%

	BCR Group			Bank		
RON mil.	**31-Dec-19**	**31-Dec-18**	**Delta (%)**	**31-Dec-19**	**31-Dec-18**	**Delta (%)**
Net profit	593	1,202	-51%	652	970	-33%

In 2019, the assets of BCR's Group increased from 71,530 mil RON (31 December 2018) to 74,938 mil RON (31 December 2019), mainly due to increase of loans to customers.

BCR Group registered a net profit of RON 593 mil in 2019, lower by 51% against RON 1,202 mil in 2018, as impacted by the significant one-off provision allocation related to the activity of BCR Banca pentru Locuinte as detailed in Notes 2.2 (9), 30 and 46 of the Financial Statements, despite the best operating result in the last five years underpinned by strong loan growth.

Operational profit increased by 9% comparing to the previous financial exercise (RON 1,787 mil as at 31 December 2019 versus RON 1,635 mil as at 31 December 2018), mainly due to increase of net interest income by 10% (RON 209 mil) and a moderate increase of administrative expenses by 3%. Cost income ratio was

48.8% in 2019 versus 50.2% in 2018.

The main accounting policies of the Bank and BCR Group were applied consequently during 2019 as compared to 2018, being impacted by IFRS 16 starting 1 January 2019.

Significant accounting judgements and estimations presented in the Note 2.2. are:

- Fair value of the financial instruments;
- Impairment on loans and advances;
- Deferred tax assets;
- Benefits granted on the date of retirement;
- Provisions for allegedly abusive clauses;
- Tax asset resulting from the fiscal treatment of impairment of subsidiaries;
- Impairment of subsidiaries (impacting only the separate financial statements).

The main contingent liabilities related to litigations presented in the Note 46 of the Financial Statements are:

- The litigation related to the audit mission of the Romanian Court of Accounts in 2015 for BCR Banca pentru Locuinte;
- Non-performing loan portfolio sale since 2016 and 2017;
- BFP litigation;
- Tax related litigation related to fiscal authorities control in BCR on income tax and VAT for the period 2012-2015.

5.3. Summary of the Separate and Consolidated Administrator's Report

The main information included in the separate and consolidated Administrator's Report are:

- Macroeconomic environment;
- Evolution of the main financial and commercial indicators in 2019;
- Perspectives on BCR's activity in 2020;
- Financial position and performance of BCR and BCR Group;
- Capital elements and profit distribution;
- Presentation of the subsidiaries' activity;
- Risk profile of BCR and BCR Group;
- Corporate governance;
- Social responsability, diversity and development activities.

5.4. Summary of the annual report prepared in accordance with ASF Regulation no. 5/2018 (Annex 15)

The main information included in the annual report in accordance with ASF Regulation no. 5/2018 (Annex 15) are:

- Analysis of the Bank's activity regarding: the general evolution, evolution of commercial activity, aspects related to the employees (statistical data, professional development and training), risk management, perspectives for 2020;
- Tangible assets;
- Capital markets related to the bonds issued by the Bank;
- Bank's policy related to dividends;
- Management of the Bank;
- Financial – accounting statement;
- Annexes such as: Constitutive Act, Subsidiaries' list, Related parties list of the Bank as at 31.12.2019.

Banca Comercială Română S.A.

Consolidated and Separate Financial Statements

(The Group and the Parent Bank)

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

31 December 2019

Contents of the consolidated and separated financial statements

Independent auditors' report to the shareholders of Banca Comercială Română S.A.
Statement of profit or loss 1
Statement of other comprehensive income 2
Statement of financial position 3
Statement of changes in equity 4
Statement of cash flow 6
1. Corporate information 7
2. Accounting policies 7
3. Net interest income 30
4. Net fee and commission income 30
5. Dividend income 31
6. Net trading result 31
7. Gains/ (losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss 31
8. Rental income from investment properties and other operating leases 32
9. General administrative expenses 32
10. Gains/ (losses) from derecognition of financial assets measured at amortised cost 33
11. Other gains/ (losses) from derecognition of financial instruments not measured at fair value through profit or loss 33
12. Net impairment loss on financial instruments 34
13. Other operating result 34
14. Taxes on income 35
15. Dividends paid 36
16. Cash and cash balances 36
17. Derivatives 36
18. Other financial assets held for trading 37
19. Non-trading financial assets mandatorily at fair value through profit or loss 37
20. Financial assets at fair value through other comprehensive income 37
21. Securities 39
22. Financial assets at amortised cost 39
23. Finance lease receivables 45
24. Trade and other receivables 46
25. Investments in joint ventures and associates 49
26. Property, equipment and investment properties 50
27. Intangible assets 54
28. Tax assets and liabilities 56
29. Assets held for sale and liabilities associated with assets held for sale 57
30. Investments in subsidiaries and other assets 58
31. Financial liabilities measured at amortised cost 60
32. Other financial liabilities 62
33. Provisions 62
34. Other liabilities 65
35. Issued capital 65
36. Segment reporting 66
37. Return on assets and turnover information 73
38. Leases 74
39. Related-party transactions and principal shareholders 76
40. Encumbered assets 79
41. Transfers of financial assets – repurchase transactions 79
42. Risk management 82
43. Fair value of financial assets and liabilities 128
44. Fair values of non-financial assets 133
45. Audit fees and tax consultancy fees 134
46. Contingent liabilities and commitments 135
47. Split between current and non-current assets and liabilities 138
48. Own funds and capital requirements 140
49. Country by country reporting 140
50. Events after the balance sheet date 141
Administrators' report

Independent Auditor's Report

To the Shareholders of Banca Comercială Română SA

Report on the audit of the financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Banca Comercială Română SA (the "Bank") and its subsidiaries (together - the "Group") as at 31 December 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the National Bank of Romania (NBR) Order no. 27/2010 for approving accounting Regulations in accordance with International Financial Reporting Standards, applicable to credit institutions and subsequent amendments (the "NBR Order 27/2010").

Our opinion is consistent with our additional report to the Audit Committee dated 20 March 2020.

What we have audited

The Group's and the Bank's consolidated and separate financial statements comprise:

- the consolidated and separate statements of profit or loss for the year ended 31 December2019;
- the consolidated and separate statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of financial position as at 31 December 2019;
- the consolidated and separate statements of changes in equity for the year then ended;

- the consolidated and separate statements of cash flows for the year then ended; and

- the notes to the financial statements, which include significant accounting policies and other explanatory information.

The consolidated and separate financial statements as at 31 December 2019 are identified as follows:

- Total consolidated equity: RON thousand 8,471,710;
- Consolidated net profit for the year: RON thousand 593,266;

- Total separate equity: RON thousand 8,305,054;
- Separate net profit for the year: RON thousand 651,909;

The Bank's registered office is in Bucharest, 15 Calea Victoriei and the Bank's unique fiscal registration code is RO361757.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation EU No 537/2014 of the European Parliament and of the Council and subsequent amendments (the "Regulation") and Law 162/2017 regarding statutory audit of annual financial statements and annual consolidated financial statements and regarding changes to other regulations and subsequent amendments (the "Law"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Romania, including the Regulation and the Law. We have fulfilled the ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Regulation and the Law.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group and the Bank are in accordance with the applicable law and regulations in Romania and that we have not provided non-audit services that are prohibited under Article 5(1) of the Regulation.

The non-audit services that we have provided to the Group and the Bank in the period from 1 January 2019 to 31 December 2019, are disclosed in Note 45 "Audit fees and tax consultancy fees" to the consolidated and separate financial statements.

Our audit approach

Overview

Overall materiality:
RON thousand 75,919 for both consolidated and separate financial statements.

Group scoping:
We planned and scoped our audit for 2019 reflecting the Group's current structure whereby the Bank represents a very significant part of the Group's assets, liabilities, revenue and profit before tax. Hence, we defined the Bank as the sole significant component within the Group and so it was subject to a full scope audit of its financial information.

Application of IFRS 9 in the calculation of expected credit losses of loans and advances to customers.
Tax matters resulting from the tax inspection performed by the Romanian Tax Authorities and tax treatment applied to deductibility of the impairment loss for the Bank's investment in its subsidiaries.
Ongoing litigation between Banca pentru Locuinte subsidiary and the Romanian Court of Accounts.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated and separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group and Bank materiality for the consolidated and separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated and separate financial statements as a whole.

Overall Group and Bank materiality	RON thousand 75,919
How we determined it	5% of profit before tax per the separate statement of profit or loss for the year ended 31 December 2019 and adjusted for one-off events: impact of Banca pentru Locuinte litigation and gain from sale of former historical premises (Regina Elisabeta building).
Rationale for the materiality benchmark applied	We chose profit before tax adjusted for the two one-offs events presented above as the benchmark because, in our view, it is the benchmark against which the performance of the Group and the Bank are most commonly measured by the stakeholders, and it is a generally accepted benchmark. We chose 5%, which in our experience is an acceptable quantitative materiality threshold for this benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RON thousand 7,592 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Application of IFRS 9 in the calculation of expected credit losses of loans and advances to customers We focused on this area because the management makes complex and subjective judgements over both the timing of recognition of expected credit losses ('ECL') and the estimation of the size of ECL, which is a complex area of accounting. IFRS 9 requires ECL allowances for all exposures from the time a loan is originated, based on the deterioration of credit risk since initial recognition. If the credit risk has not increased significantly (Stage 1), IFRS 9 requires allowances based on 12 month expected credit losses. If the credit risk has increased significantly (Stage 2) or if the loan is 'credit impaired' (Stage 3), the standard requires allowances based on lifetime expected credit losses. ECL allowance for Stage 1, Stage 2 and non-significant Stage 3 loans and advances to customers is performed collectively, with the key assumptions being the probability of an account falling into arrears and subsequently defaulting ("PD"), definition of significant increase in credit risk, exposure at the moment of default ("EAD") and the estimated losses from defaulted loans ("LGD"). Statistical models are used for determination of the key assumptions including different future macroeconomic scenarios. For significant loans and advances in Stage 3, the ECL are assessed individually based on probability weighted scenarios of cash flow forecasts. The key assumptions here are the expected cash flows (from both operating cash	In relation to implementation of the ECL models, we assessed the compliance of key methodologies and models with the requirements of IFRS 9. We engaged our credit risk technical experts to assist us in undertaking this assessment. Monitoring controls were tested including assessing the independent model validation framework, validation results and overall model governance for IFRS 9. We also assessed the methodology and reasonableness of selecting and using the multiple economic scenarios, including the severity and magnitude of modelled scenarios and how they are considered and applied to the assumptions obtained from statistical models used in arriving at the overall ECL at the balance sheet date. We tested on a sample basis the key controls over the inputs of critical data into source systems and the flow and transformation of data from the source systems to the ECL calculation engine. Substantive testing was performed over the critical data used in the year-end ECL calculation. We tested a sample of the statistical models used by the management to determine key assumptions (probability of default, loss given default and exposure at default) to assess whether the calculation process was consistent with our expectations. We also independently recomputed ECL for a sample of loans using the key assumptions determined by management.

Key audit matters	How our audit addressed the key audit matters
flows and recoveries from collateral) and the weighting attached to the different scenarios. As this is just the second year since adoption of IFRS 9, there is limited experience available to back-test the estimate of ECL against the actual results. There is also a significant increase in the number of data inputs required for the ECL calculation. The data is sourced from a number of systems that have not been used previously for the preparation of the accounting records. This increases risk around completeness and accuracy of certain data used to create assumptions and operate the models. Note 2.2 "Significant accounting judgements and estimates", Note 2.3 – "Significant accounting policies", Note 22 "Financial assets at amortised cost" and Note 42 "Risk management" to the financial statements provide detailed information on the ECL for loans and advances to customers.	We have tested that the key assumptions (PD, LGD) resulting from the estimation models and which were subsequently approved by management were the same as the parameters effectively implemented in the system for computation of ECL. We have previously (upon implementation of IFRS 9) assessed management's user acceptance testing over the ECL calculation engine to ensure it is performed in line with business requirements. We verified the reconciliation of the output of the ECL calculation engine with the accounting records. We tested the approval of the key inputs, assumptions and discounted cash-flows from both operating cash flows and recoveries from collateral that support the significant individual ECL, and substantively tested a sample of individually assessed loans.
Tax matters resulting from the tax inspection performed by the Romanian Tax Authorities and tax treatment applied to deductibility of the impairment expense for the Bank's investment in its subsidiaries We focused on the results of i) the tax inspection performed by the Romanian Tax Authority ("RTA") in 2017 and generating a contingent liability (disclosed in Note 46 "Contingent liabilities and commitments") and ii) fiscal treatment of impairment of subsidiaries (disclosed in Note 28 – "Tax assets and liabilities") generating non-current tax asset as the assessment of these two matters requires making significant judgements and estimates by the management of the Bank.	In respect of the RTA inspection findings, together with our tax specialists, we examined the correspondence between the Bank and the RTA and between the Bank and its external advisers for 2017, 2018 and 2019 years. We examined the background of the additional Corporate Income Tax Liability identified during the tax inspection for the period 2012-2015 and used our knowledge of the relevant Romanian tax legislation and other similar taxation matters to assess the available evidence and the approach taken by management of the Bank to conclude that only a contingent liability should be recognized for any potential obligation regarding additional Corporate Income tax

Key audit matters	How our audit addressed the key audit matters
In respect of point i) above, following a tax inspection during 2017, the Romanian Tax Authority increased the taxable base of Corporate Income Tax for the period 2012 – 2015 under review and based on these adjustments an additional Corporate Income Tax Liability has been recognised in 2017. Also, additional value added tax (VAT) was identified. The Bank settled the additional liabilities identified by the Romanian Tax Authority and challenged in the Court of law the results of the tax inspection. The litigation is still ongoing at the date of our report. Given the results of the tax inspection, the Bank also analysed the need to record provisions for a potential obligation regarding additional Corporate Income Tax Liability for the period 2016 – 2019 and regarding additional Withholding Tax Liability for the period 2016 – 2019 related to the financial transactions challenged by the RTA in their aforementioned inspection report. However, based on the assessment performed by the Bank's management it was concluded that it is not probable that an outflow of economic benefits will be required to settle any such obligation and therefore, no provision has been recognized. For the point ii) above, the Bank initially considered the impairment expense of its subsidiaries as non-deductible. However, the Bank reconsidered its assessment based on the arguments determined by its management and its external tax advisors. Consequently, management concluded that the impairment expense for the investment in subsidiaries recorded during the period 2012 - 2015 is deductible and, in 2017,	liability from the matter for the period from 2016 - 2019 and that only a contingent liability should be recognized for any potential obligation regarding additional Withholding Tax that the RTA can legitimately charge. While we do not take exception to management's conclusion that the tax position is sustainable, nevertheless, as set out in the financial statements, the final resolution of this issue is subject to the future outcome of the ongoing litigation. Hence the necessity and timing of any potential outflow related to Corporate Income Tax for 2016 – 2019 and Withholding Tax for 2016 - 2019 are subject to inherent uncertainty and the final resolution of these matters may not be in line with management's current assessment. In respect of the deductibility for impairment expense of the Bank's subsidiaries, we examined together with our tax specialists the arguments put forward by the management of the Bank to support the deductibility of these expense and we examined the Romanian Tax Authority's correspondence with the Bank. We also considered the views of the Bank's external tax and legal advisors. Taking into account our understanding of Romanian tax legislation and other factors affecting this issue we concur with management's assertion it is appropriate for the impairment expense in subsidiaries recorded during the period 2012 – 2015 to be treated as deductible and a non-current income tax asset to continue to be recognised in the 2018 and 2019 financial statements.

Key audit matters	How our audit addressed the key audit matters
challenged in the Court of law the Romanian Tax Authority. The effect of this change in assessment resulted in the recognition of a non-current tax asset of RON 168 million in accordance with IAS 12, "Income Taxes", paragraph 46 in the 2017 financial statement and given that no significant changes occurred during 2018 or 2019 with regards to the litigation against the Romanian Tax Authority the balance of this non-current tax asset changed only due to unwinding of the effects of discounting, reaching RON 182 million as at 31 December 2019. See also Note 2.2 – "Significant accounting judgments and estimates", Note 14 – "Taxes on income", Note 46 – "Contingent liabilities and commitments" and Note 28 – "Tax assets and liabilities" to the financial statements.	While we do not take exception to management's conclusion that the tax position is sustainable, nevertheless, as set out in the financial statements, the final outcome of this issue is subject to final resolution of the ongoing litigation with the RTA. Hence, the fiscal treatment of the impairment expense for the subsidiaries recorded during the period 2012 – 2015 as deductible expense is subject to inherent uncertainty and the future resolution of this matter may not be in line with management's current assessment.
Ongoing litigation between Banca pentru Locuinte subsidiary and the Romanian Court of Accounts	
Banca pentru Locuinte SA, ("BpL") is a fully consolidated subsidiary of BCR. BpL is a home savings and mortgages bank. The Romanian state pays BpL's clients a state subsidy of 25% applied to their savings, but not more than 250 euro per year under the condition they are related to housing projects. The Romanian Court of Accounts ("the CoA") identified several deficiencies following the inspection in 2015. The majority were grounded on differing interpretations of the applicable legal provisions in areas where the law was not very specific. In essence, the CoA was of the opinion	To assess the adequacy of the provision for the BpL's financial obligation resulting from the Court's ruling, we have: • Obtained and critically assessed the relevant documents related to the BpL litigation in cooperation with our legal and tax specialists; • Involved these specialists in checking the appropriateness of the methodology used in determining the compensation;

Key audit matters	How our audit addressed the key audit matters
that BpL paid out the state subsidy to clients not meeting the conditions for receiving this subsidy. BpL challenged the decision of the CoA in court, arguing that they acted in good faith and that its interpretation and application of the law were correct. In March 2017, the Court of Appeal ruled in favour of BpL for most claims. The impact of the remaining claims was not material as of 31 December 2018. However, on 21 June 2019, the High Court of Justice finally ruled in favour of the CoA for almost all claims. BpL is therefore obliged to compensate the Romanian state for losses resulting from the improper use of State subsidies. During 2019 BpL incurred an expense of EUR 156 million (RON 746 million) in respect of this matter. Related to the BpL case presented above, a provision in the total amount of EUR 144 million (RON 690 million) was booked as of 31 December 2019. The difference between the estimated total expense (RON 746 million) and the balance of the provision (RON 690 million) are the amounts already paid by BpL to the MDRAP (RON 50.9 million) and ANAF (RON 5.1 million) during 2019. There is considerable legal uncertainty regarding the scope of the obligation to pay the compensation. BpL has obtained the opinions of various tax and legal experts. On this basis, BpL has made corresponding assumptions and developed a list of criteria that it then used to cluster the portfolio of clients' contracts based on the individual facts and circumstances of each contract.	• Tested a sample of the relevant IT-controls for the calculation of compensation based on the criteria list; • Recalculated the estimated amount of compensation along with the associated withholding tax for a sample of contracts in order to validate the results of the automatic calculation performed by the system; • Tested the completeness of the contracts included in the assessment of compensation as well as the accuracy of key data used in the calculation; • Reconciled the provision calculated by the system with the balance sheet; and • Tested all the payments already made by vouching them to the bank extracts. While we do not take exception to management's estimate of the litigation provisions, nevertheless, as set out in Note 2.2 – "Significant accounting judgments and estimates", to the financial statements, the assessment requires application of significant judgment based on the interpretation of the current Romanian tax and trade laws and is therefore subject to considerable uncertainties and the future resolution of this matter may not be in line with management's current assessment.

Key audit matters	How our audit addressed the key audit matters
The amount of compensation for each contract was estimated based on the cluster that it was allocated to using an IT-supported calculation model. The total amount of compensation was determined, taking the withholding tax due into account. This approach requires significant judgments based on the interpretation of the current Romanian tax and trade laws and is therefore subject to considerable uncertainties; that is why we have identified this as a key audit matter. See Note 2.2 – "Significant accounting judgments and estimates", Note 30 – "Investments in subsidiaries and other assets", Note 33 – "Provisions" and Note 46 – "Contingent liabilities and commitments" to the financial statements.	

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated and separate financial statements as a whole, taking into account the structure of the Group and the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

We planned and scoped our audit for 2019 reflecting the Group's current structure whereby the Bank represents the vast majority of the Group's assets (95%), liabilities (95%) and profit before tax (Bank profit being more than total Group profit). Hence, we defined the Bank as the sole significant component within the Group and so the Bank was subject to an audit of its complete financial information. We applied analytical procedures to the financial information of the three largest subsidiaries of the Group (BCR Banca pentru Locuinte, BCR Leasing IFN SA, BCR Chisinau SA) and on the remaining components no procedures were considered necessary.

Reporting on other information including the Consolidated Administrators' Report

The Administrators are responsible for the other information. The other information comprises the Consolidated Administrators' Report and the Consolidated Non-Financial Statement which is part of the Consolidated Administrators' Report, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information, including the Consolidated Administrators' Report and the Consolidated Non-Financial Statement which is part of the Consolidated Administrators' Report.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to verify whether the Consolidated Non-Financial Statement was provided.

We confirm that the Consolidated Non-Financial Statement has been prepared by the Administrators.

With respect to the Consolidated Administrators' Report, our responsibility is to consider whether the Consolidated Administrators' Report was prepared in accordance with NBR Order 27/2010 articles 37 and 38 (and according to articles 32, 33 and 34 from NBR Order 27/2010 republished on 10 February 2020).

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Consolidated Administrators' Report for the financial year for which the consolidated and separate financial statements are prepared is consistent with the consolidated and separate financial statements;
- the Consolidated Administrators' Report has been prepared in accordance with NBR Order 27/2010 articles 37 and 38 (and according to articles 32, 33 and 34 from NBR Order 27/2010 republished on 10 February 2020).

In addition, in light of the knowledge and understanding of the Group and the Bank and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Consolidated Administrators' Report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated and separate financial statements

Management is responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and NBR Order 27/2010, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's or the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of Banca Comercială Română SA on 27 January 2017. Our appointment has been renewed annually by Ordinary General Shareholders' resolution representing a total period of uninterrupted engagement appointment of three years, covering the financial years ended 31 December 2017 up to 31 December 2019.

The financial auditor responsible for carrying out the audit resulting in this independent auditor's report is Victor Sasu.

Refer to the original signed Romanian version

Victor Sasu
Financial Auditor registered with the Public Electronic Register of financial auditors and audit firms under no. AF4097

Stefan Friedemann Weiblen
Administrator

On behalf of
PricewaterhouseCoopers Audit S.R.L
Audit firm registered with
the Public Electronic Register of financial auditors and audit firms under no. FA6

Bucharest, 20 March 2020

STATEMENT OF PROFIT OR LOSS

Consolidated and Separate for the year ended 31 December 2019

Statement of profit or loss

	Notes	Group		Bank	
in RON thousands		**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Net interest income	3	**2,256,271**	**2,047,195**	**2,139,209**	**1,946,477**
Interest income		2,661,708	2,488,627	2,568,106	2,392,496
Other similar income		86,783	95,434	26,923	38,489
Interest expense		(451,566)	(513,662)	(416,360)	(461,631)
Other similar expense		(40,654)	(23,204)	(39,460)	(22,877)
Net fee and commission income	4	**780,609**	**706,814**	**747,972**	**673,853**
Fee and commission income		946,460	881,176	900,910	824,162
Fee and commission expense		(165,851)	(174,362)	(152,938)	(150,309)
Dividend income	5	2,569	3,731	15,994	11,684
Net trading result	6	346,346	431,709	337,792	426,985
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss	7	15,569	18,429	15,569	18,429
Foreign currency translation		(9,475)	(3,347)	(5,307)	(6,209)
Net result from equity method investments	30	(390)	2,651	-	-
Rental income from investment properties and other operating leases	8	98,919	78,388	11,158	11,045
Personnel expenses	9	(775,990)	(780,810)	(668,348)	(684,947)
Other administrative expenses	9	(685,214)	(671,461)	(713,793)	(689,897)
Depreciation and amortisation	9	(242,258)	(197,901)	(211,820)	(136,238)
Gains/(losses) from derecognition of financial assets measured at amortised cost	10	(485)	-	(485)	-
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	11	(29,413)	2,221	(29,413)	2,221
Net impairment loss on financial instruments	12	61,816	(121,217)	6,273	(122,361)
Other operating result, out of which	13	**(923,113)**	**(87,920)**	**(705,238)**	**(260,487)**
Other income		286,092	174,340	180,815	77,544
Other expense		(1,209,205)	(262,260)	(886,053)	(338,031)
Levies on banking activities		(52,003)	-	(52,003)	-
Pre-tax result from continuing operations		**895,761**	**1,428,482**	**939,563**	**1,190,555**
Taxes on income	14	(302,495)	(226,219)	(287,654)	(220,108)
Net result for the period		**593,266**	**1,202,263**	**651,909**	**970,447**
Net result attributable to non-controlling interests		6	10	-	-
Net result attributable to owners of the parent		**593,260**	**1,202,253**	**651,909**	**970,447**

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Elke Meier

BANCA COMERCIALĂ ROMÂNĂ BCR Cabinet Vice Presedinte Financiar

AUTHORISED PERSON,
First name and name
Signature

Executive Director Accounting Division,

Gina Badea

BCR

STATEMENT OF OTHER COMPREHENSIVE INCOME

Consolidated and Separate for the year ended 31 December 2019

Statement of other comprehensive income

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Net result for the period	**593,266**	**1,202,263**	**651,909**	**970,447**
Other comprehensive income				
Items that may not be reclassified to profit or loss				
Actuarial gains/(losses) on defined benefit pension plans	(2,170)	279	(2,134)	337
Fair value changes of equity instruments at fair value through other comprehensive income	-	(180,039)	-	(180,039)
Deferred taxes relating to items that may not be reclassified	348	28,762	342	28,752
Total items that cannot be reclassified to profit or loss	**(1,822)**	**(150,998)**	**(1,792)**	**(150,950)**
Items that may be reclassified to profit or loss				
Debt instruments at fair value through other comprehensive income	1,527	(54,646)	2,981	(54,908)
Currency translation reserve	4,313	4,770	-	-
Deferred taxes relating to items that may be reclassified	(846)	9,149	(833)	9,141
Total items that may be reclassified to profit or loss	**4,994**	**(40,727)**	**2,148**	**(45,767)**
Total other comprehensive income	**3,172**	**(191,725)**	**356**	**(196,717)**
Total comprehensive income	**596,438**	**1,010,538**	**652,265**	**773,730**
Total comprehensive income attributable to non-controlling interests	6	10	-	-
Total comprehensive income attributable to owners of the parent	596,432	1,010,528	652,265	773,730

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Elke Meier

AUTHORISED PERSON,
First name and name
Signature

Executive Director Accounting Division,

Gina Badea

STATEMENT OF FINANCIAL POSITION

Consolidated and Separate as at 31 December 2019

Statement of financial position

		Group		Bank	
in RON thousands	**Notes**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Assets					
Cash and cash balances	16	9,006,518	11,123,191	8,724,971	10,862,852
Financial assets held for trading		429,356	213,965	429,356	214,092
Derivatives	17	40,100	31,062	40,100	31,189
Other financial assets held for trading	18, 21	389,256	182,903	389,256	182,903
Non-trading financial assets mandatorily at fair value through profit or loss	19, 21	93,872	39,395	93,620	39,152
Equity instruments		40,388	33,475	40,136	33,232
Debt securities		49,922	-	49,922	-
Loans and advances to banks		-	-	-	-
Loans and advances to customers		3,562	5,920	3,562	5,920
Financial assets at fair value through other comprehensive income	20,21	6,117,844	5,222,081	6,115,902	5,187,019
thereof pledged as collateral		56,341	-	56,341	41,748
Equity investments		-	40,721	-	40,721
Debt securities	20, 21	6,117,844	5,181,360	6,115,902	5,146,298
Financial assets at amortised cost	22	54,899,081	50,843,219	53,019,313	48,732,568
thereof pledged as collateral		739,503	690,952	2,087,276	1,693,280
Debt securities	21, 22	15,735,188	15,879,108	14,422,788	14,297,905
Loans and advances to banks	22	661,437	123,840	661,086	388,848
Loans and advances to customers	22	38,502,456	34,840,271	37,935,439	34,045,815
Finance lease receivables	23	1,117,933	990,868	3,399	-
Property and equipment	26	937,267	1,169,260	837,505	760,646
Investment property	26	161,181	162,806	161,181	162,806
Intangible assets	27	359,085	361,898	348,582	354,020
Investments in joint ventures and associates	25	24,553	20,027	17,035	7,509
Current tax assets	28	238,752	181,800	235,928	178,822
Deferred tax assets	28	183,857	202,165	172,780	197,061
Assets held for sale	29	646,396	161,114	210,704	117,699
Trade and other receivables	24	425,060	563,014	408,778	543,179
Investments in subsidiaries	30	-	-	488,077	403,152
Other assets	30	297,604	275,502	173,821	148,677
Total assets		**74,938,359**	**71,530,305**	**71,440,952**	**67,909,254**

Liabilities and Equity					
Financial liabilities held for trading		73,498	32,988	73,498	32,988
Derivatives	17	73,498	32,988	73,498	32,988
Financial liabilities measured at amortised cost	31	63,678,655	61,618,808	61,395,958	58,326,984
Deposits from banks	31	1,266,201	2,127,723	2,534,084	3,076,973
Borrowings and financing lines	31	2,105,646	2,408,375	572,786	672,249
Deposits from customers	31	57,791,780	55,098,959	55,775,424	52,593,690
Debt securities issued	31	784,402	349,153	784,402	349,153
Subordinated loans	31	1,067,313	1,041,982	1,067,313	1,041,982
Other financial liabilities	32	663,313	592,616	661,949	592,937
Finance lease liabilities		327,050	-	323,721	-
Provisions	33	1,779,611	1,151,688	1,049,481	1,120,255
Current tax liabilities	28	2,882	97,782	-	97,110
Deferred tax liabilities	28	8,303	-	-	-
Liabilities associated with assets held for sale	29	244,193	15,438	-	-
Other liabilities	34	352,457	246,887	293,240	193,842
Total equity		**8,471,710**	**8,366,714**	**8,305,054**	**8,138,075**
Share capital		2,952,565	2,952,565	2,952,565	2,952,565
Retained earnings		3,882,594	3,766,482	3,706,526	3,525,615
Other reserves		1,636,551	1,647,667	1,645,963	1,659,895
attributable to non-controlling interest		52	46	-	-
attributable to owners of the parent		8,471,658	8,366,668	-	-
Total liabilities and equity		**74,938,359**	**71,530,305**	**71,440,952**	**67,909,254**

AUTHORISED PERSON,
First name and name
Signature

Executive Vice-President,

Elke Meier

AUTHORISED PERSON,
First name and name
Signature

Executive Director Accounting Division,

Gina Badea

STATEMENT OF CHANGES IN EQUITY

Consolidated and Separate for the year ended 31 December 2019

Statement of changes in equity

											31.12.2019	Group
in RON thousands	Share capital	Share premium	Retained earnings	Other reserves (1)	Available for sale reserves	Fair value reserve	Foreign currency translation reserve (2)	Actuarial gains/(losses) on defined benefit pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
Total equity as of 31.12.2018	**2,952,565**	**395,483**	**3,766,436**	**1,130,670**	**-**	**77,459**	**(13,732)**	**82,825**	**(25,038)**	**8,366,668**	**46**	**8,366,714**
Dividends	-	-	(485,286)	-	-	-	-	-	-	(485,286)	-	(485,286)
Changes in scope of consolidation and ownership interest (i)	-	-	(6,156)	-	-	-	-	-	-	(6,156)	-	(6,156)
Reclassification from OCI to RE	-	-	14,288	-	-	(17,009)	-	-	2,721	-	-	-
Total comprehensive income	**-**	**-**	**593,260**	**-**	**-**	**1,527**	**4,313**	**(2,170)**	**(498)**	**596,432**	**6**	**596,438**
Net result for the period	-	-	593,260	-	-	-	-	-	-	593,260	6	593,266
Other comprehensive income	-	-	-	-	-	1,527	4,313	(2,170)	(498)	3,172	-	3,172
Total equity as of 31.12.2019	**2,952,565**	**395,483**	**3,882,542**	**1,130,670**	**-**	**61,977**	**(9,419)**	**80,655**	**(22,815)**	**8,471,658**	**52**	**8,471,710**

(1) Other reserves include legal reserves and general banking risk reserve.
(2) Referes to translation of financial information of foreign operation to presentation currency.

(i) Changes in scope of consolidation and ownership interest are related to acquisition in 2019 of 49% from associate BCR Social Finance IFN SA.

											31.12.2018	Group
in RON thousands	Share capital	Share premium	Retained earnings	Other reserves (1)	Available for sale reserves	Fair value reserve	Foreign currency translation reserve (2)	Actuarial gains/(losses) on defined benefit pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
Total equity as of 31.12.2017	**2,952,565**	**395,483**	**2,667,530**	**1,130,670**	**288,082**	**-**	**(18,502)**	**82,546**	**(59,297)**	**7,439,077**	**36**	**7,439,113**
Efect of changes in accounting policies recognised in accordance with IAS 8 (i)	-	-	(71,582)	-	(288,082)	312,144	-	-	(3,652)	(51,172)	-	(51,172)
Restated balance as of 01.01.2018	**2,952,565**	**395,483**	**2,595,948**	**1,130,670**	**-**	**312,144**	**(18,502)**	**82,546**	**(62,949)**	**7,387,905**	**36**	**7,387,941**
Dividends	-	-	(228,063)	-	-	-	-	-	-	(228,063)	-	(228,063)
Reclassification from OCI to RE(ii)	-	-	196,298	-	-	-	-	-	-	196,298	-	196,298
Total comprehensive income	**-**	**-**	**1,202,253**	**-**	**-**	**(234,685)**	**4,770**	**279**	**37,911**	**1,010,528**	**10**	**1,010,538**
Net result for the period	-	-	1,202,253	-	-	-	-	-	-	1,202,253	10	1,202,263
Other comprehensive income	-	-	-	-	-	(234,685)	4,770	279	37,911	(191,725)	-	(191,725)
Total equity as of 31.12.2018	**2,952,565**	**395,483**	**3,766,436**	**1,130,670**	**-**	**77,459**	**(13,732)**	**82,825**	**(25,038)**	**8,366,668**	**46**	**8,366,714**

(1) Other reserves include legal reserves and general banking risk reserve.
(2) Referes to translation of financial information of foreign operation to presentation currency.

(i) Impact from IFRS 9
(ii)The decrease of fair value reserve and the reclassification from OCI to RE is mainly due to sale of Visa and Mastercard shares.

Statement of changes in equity *(continued)*

31.12.2019 Bank

in RON thousands	Share capital	Share premium	Retained earnings	Other reserves (1)	Available for sale reserves	Fair value reserve	Actuarial gains/(losses) on defined benefit pension plans	Deferred tax	Total
Total equity as of 31.12.2018	**2,952,565**	**395,483**	**3,525,615**	**1,130,670**	**-**	**75,909**	**82,883**	**(25,050)**	**8,138,075**
Dividends	-	-	(485,286)	-	-	-	-	-	(485,286)
Reclassification from OCI to RE	-	-	14,288	-	-	(17,009)	-	2,721	-
Total comprehensive income	**-**	**-**	**651,909**	**-**		**2,981**	**(2,134)**	**(491)**	**652,265**
Net result for the period	-	-	651,909	-	-	-	-	-	651,909
Other comprehensive income	-	-	-	-	-	2,981	(2,134)	(491)	356
Total equity as of 31.12.2019	**2,952,565**	**395,483**	**3,706,526**	**1,130,670**	**-**	**61,881**	**80,749**	**(22,820)**	**8,305,054**

(1) Other reserves include legal reserves and general banking risk reserve.

31.12.2018 Bank

in RON thousands	Share capital	Share premium	Retained earnings	Other reserves (1)	Available for sale reserves	Fair value reserve	Actuarial gains/(losses) on defined benefit pension plans	Deferred tax	Total
Total equity as of 31.12.2017	**2,952,565**	**395,483**	**2,654,299**	**1,130,670**	**288,452**	**-**	**82,546**	**(59,358)**	**7,444,657**
Efect of changes in accounting policies recognised in accordance with IAS 8 (i)	-	-	(67,366)	-	(288,452)	310,856	-	(3,585)	(48,547)
Restated balance as of 01.01.2018	**2,952,565**	**395,483**	**2,586,933**	**1,130,670**	**-**	**310,856**	**82,546**	**(62,943)**	**7,396,110**
Dividends	-	-	(228,063)	-	-	-	-	-	(228,063)
Reclassification from OCI to RE(ii)	-	-	196,298	-	-	-	-	-	196,298
Total comprehensive income	**-**	**-**	**970,447**	**-**	**-**	**(234,947)**	**337**	**37,893**	**773,730**
Net result for the period	-	-	970,447	-	-	-	-	-	970,447
Other comprehensive income	-	-	-	-	-	(234,947)	337	37,893	(196,717)
Total equity as of 31.12.2018	**2,952,565**	**395,483**	**3,525,615**	**1,130,670**	**-**	**75,909**	**82,883**	**(25,050)**	**8,138,075**

(1) Other reserves include legal reserves and general banking risk reserve.

(i) Impact from IFRS 9

(ii) The decrease of fair value reserve and the reclassification from OCI to RE is mainly due to sale of Visa and Mastercard shares.

BCR

STATEMENT OF CASH FLOWS

Consolidated and Separate for the year ended 31 December 2019

Statement of cash flow

		Group		Bank	
in RON thousands	Notes	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net result for the period		**593,266**	**1,202,263**	**651,909**	**970,447**
Non-cash adjustments for items in net result for the period					
Depreciation, amortisation of assets	9	242,258	197,901	211,820	136,238
Allocation and release of impairment of loans	12	105,368	170,821	152,367	146,466
Gains/(losses) from the sale of tangible and intangible assets	26,27	8,827	(7,945)	(30,014)	(12,648)
Gains/(Losses) on disposal of non-current assets held for sale		(99,969)		(82,727)	
Other provisions	33	630,290	(28,969)	(70,774)	(17,448)
Impairment of subsidiaries	30	-	-	583,430	166,410
Impairment tangible and intangible assets	9	93,528	94,636	48,065	96,024
Current and deferred tax not paid	14	-	(6,908)	-	(3,610)
Other adjustments		60,804	(12,284)	48,767	(12,242)
Adjustments for items in net profit/(loss) for the year		(547,247)	(542,504)	(511,594)	(510,827)
Interest income from investing activities	3	(668,354)	(672,116)	(628,884)	(615,632)
Interest expense for financing activities	3	121,107	129,612	129,828	112,758
Dividend income from investing activities	5	-	-	(12,538)	(7,953)
Changes in assets and liabilities from operating activities after adjustment for non-cash components					
Financial assets - held for trading	18	(206,353)	(119,658)	(206,353)	(119,658)
Non-trading financial assets mandatorily at fair value through profit or loss	19	2,358	14,720	2,358	14,720
Financial assets at fair value through other comprehensive income	20	(936,332)	51,679	(967,632)	58,044
Financial assets at amortised cost		(4,294,261)	(1,067,033)	(4,183,227)	(769,762)
Loans and advances to banks	22	(537,597)	2,075,058	(336,785)	2,015,026
Loans and advances to customers	22,24	(3,629,599)	(3,142,091)	(3,843,043)	(2,784,788)
Finance lease receivables	23	(127,065)	-	(3,399)	-
Other assets from operating activities	30	(201,049)	29,754	(183,480)	9,771
Financial liabilities measured at amortised cost	31	1,743,887	1,002,933	2,657,962	1,120,652
Deposits from banks		(1,019,631)	(1,048,821)	(592,784)	(1,075,682)
Deposits from customers		2,692,822	2,604,305	3,181,734	2,709,941
Other financial liabilities		70,697	(552,551)	69,013	(513,607)
Repayment of principal of lease liabilities (IFRS 16)		(42,906)	-	(41,745)	-
Other liabilities from operating activities	34	132,390	12,131	99,396	19,283
Cash flow from operating activities		**(2,715,141)**	**991,537**	**(1,821,471)**	**1,291,860**
Proceeds of disposal		1,364,712	1,261,843	1,011,954	922,799
Debt securities at amortised cost	22	1,119,754	998,355	804,821	684,090
Financial assets at fair value through other comprehensive income	20	727	198,641	727	198,641
Property and equipment, intangible assets and investment properties	27	103,414	64,847	65,588	40,068
Assets held for sale	29	140,817	-	140,817	-
Acquisition of		(1,352,129)	(1,408,856)	(1,083,327)	(1,122,831)
Debt securities at amortised cost	22	(976,785)	(1,013,296)	(928,609)	(926,943)
Property and equipment, intangible assets and investment properties	26	(375,344)	(395,560)	(154,718)	(195,888)
Contribution to increase in share capital of subsidiaries and investements in associates	30	(4,526)	-	(682,525)	(30,000)
Interest received from investing activities	31	668,354	656,890	628,884	603,157
Dividends received from investing activities	5	-	-	12,538	7,953
Cash flow from investing activities		**676,411**	**509,877**	**(112,477)**	**381,078**
Dividends paid to equity holders of the parent	15	(484,630)	(213,476)	(484,630)	(213,476)
Dividends paid to non-controlling interests	15	(487)	(14,587)	(487)	(14,587)
Debt securities redeemed	31	(187,233)	(219,251)	(187,233)	(219,251)
Debt securities issued		600,000	-	600,000	-
Inflows from other financing activities	31	364,106	782,144	-	-
Outflows from other financing activities	31	(302,394)	(1,950,510)	(73,785)	(1,492,303)
Interest expense paid for financing activities	31	(67,305)	(131,887)	(57,798)	(115,856)
Other financing activities		(19,268)	(32,004)	(9,761)	(15,973)
Subordinated loans		(48,037)	(99,883)	(48,037)	(99,883)
Cash flow from financing activities		**(77,943)**	**(1,747,567)**	**(203,933)**	**(2,055,473)**
Cash and cash equivalents at beginning of period		**11,123,191**	**11,369,344**	**10,862,852**	**11,245,387**
Cash flow from operating activities		(2,715,141)	991,537	(1,821,471)	1,291,860
Cash flow from investing activities		676,411	509,877	(112,477)	381,078
Cash flow from financing activities		(77,943)	(1,747,567)	(203,933)	(2,055,473)
Cash and cash equivalents at end of period	16	**9,006,518**	**11,123,191**	**8,724,971**	**10,862,852**

1. Corporate information

Banca Comercială Română S.A. ('the Bank' or 'BCR') together with its subsidiaries (the 'Group') provides retail, corporate banking and investment banking services mainly in Romania. As a result of the privatization process organized by the government of Romania, Erste Bank der oesterreichischen Sparkassen AG ('Erste Bank') purchased 61.88% of the share capital of the Bank pursuant to a share purchase agreement dated 21 December 2005. Until 31 December 2019, Erste Bank purchased further 37.9976% from employees and other shareholders of the Bank, adding up to 99.8776%. Erste Bank is the direct parent of the Bank. Erste Bank der oesterreichischen Sparkassen AG ('Erste Bank') its owned 100% by Erste Group Bank AG. The ultimate parent of the Group is Erste Group Bank AG.

The Group provides day-to-day banking services and other financial services to governmental institutions, corporate and individual clients operating in Romania and abroad. These services include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, finance micro and small enterprises, bank guarantees, letters of credit and through subsidiaries also leasing, brokerage, financial consultancy services and asset management.

Banca Comercială Română S.A. is incorporated and domiciled in Romania. Its registered office is at 15, Calea Victoriei, Bucharest, Romania.

The consolidated financial statements for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Management Board on 10 March 2020.

The financial statements are audited by PricewaterhouseCoopers Audit SRL starting with the financial year ended 31 December 2017.

2. Accounting policies

The accounting policies apply to both the consolidated ('Group') and separate financial statements of the Bank, except for accounting of investments in subsidiaries and associates in the Bank's financial statements.

2.1. Basis of preparation

The separate and consolidated financial statements have been prepared on a historical cost basis modified to include the inflation adjustments under International Accounting Standard (IAS) 29 'Financial Reporting in Hyperinflationary Economies' up to 31 December 2003, except for financial assets at fair value through other comprehensive income, trading financial assets, derivative financial instruments, non-trading financial assets at fair value through profit or loss and financial assets designated at fair value through profit or loss.

The Bank and its subsidiaries which are incorporated in Romania maintain their books of account and prepare their statutory financial statements in accordance with Romanian Accounting Regulations and in the case of the Bank and its subsidiaries 'BCR Leasing IFN SA' and 'Banca pentru Locuinte' in accordance with Romanian Banking Regulations. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their presentation currencies and in accordance with the regulations of the countries in which they operate.

The Bank's separate and consolidated financial statements are presented in Romanian Lei ('RON'), and all values are rounded to the nearest RON thousands, except when otherwise indicated. The tables in this report may contain rounding differences.

The Bank's separate and consolidated financial statements have been prepared on a going concern basis.

The Group presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 47.

2. Accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The Bank has the following subsidiaries consolidated in the financial statements of the Group as at 31 December 2019 and 31 December 2018:

	Company's name	Country of incorporation	Nature of the business	Shareholding 2019	Shareholding 2018	Gross Book Value	Net Book Value	Impaiment
1	BCR Chisinau SA	Moldova	Banking	100.00%	100.00%	200,064	46,438	153,626
2	BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,492	279,934	109,558
3	BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	159,805	110,015
4	BCR Banca pentru Locuinte SA	Romania	Banking	99.99%	99.99%	781,078	-	781,078
5	Suport Colect SRL	Romania	Workout	99.99%	99.99%	983,047	-	983,047
6	CIT One SRL	Romania	Cash processing and storing	100.00%	100.00%	13,308	11,900	1,408
7	BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%	1,900	1,900	-
8	BCR Fleet Management SRL (i)	Romania	Operational leasing	99.97%	99.97%	-	-	-

(i) Company held indirectly by BCR through BCR Leasing SA

The participation held in CIT One was maintained as asset held for sale and the participation in BCR Fleet Management was reclassiefied as asset held for sale starting with May 2019.

(1) Impact of inflation

Romania was a hyperinflationary economy and was officially declared as ceasing to be hyperinflationary for IFRS reporting purposes as at 1 July 2004. The financial statements of the Group and the Bank have been restated to take into account the effects of inflation until 31 December 2003 in accordance with the provisions of and guidance in IAS 29. In summary IAS 29 requires that financial statements prepared on a historical cost should be restated in terms of measuring unit current at the balance sheet date and that any gain or loss on the net monetary position should be included in the profit or loss and disclosed separately.

(2) Statement of compliance

The separate and consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU.

(3) Basis of consolidation

Subsidiaries

All entities directly or indirectly controlled by Banca Comercială Română SA are consolidated in the Group financial statements on the basis of their annual accounts as of year end. The financial statements of the subsidiaries are prepared for the same reporting year as for the Bank, using consistent accounting policies.

The Bank measures investments in subsidiaries at cost.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved when the Group 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 results of subsidiaries acquired or disposed of during the year are included in the consolidated profit or loss from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling interests represent those portions of total comprehensive income and net assets that are not attributable directly or indirectly to the owners of Banca Comercială Română SA. Non-controlling interests are presented separately in the consolidated Statement of profit or loss and other comprehensive income ('Statement of income'), in the consolidated statement of comprehensive income and within equity on the consolidated balance sheet. Acquisitions of non-controlling interests as well as disposals of non-controlling interests that do not lead to a change of control are accounted for as equity transactions, whereby the difference between the consideration transferred and the share in the carrying amount of the net assets acquired is recognised as equity.

2. Accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. As a general rule, significant influence is presumed to mean an ownership interest of between 20% and 50%, but this percentage is correlated with the assessment of potential voting rights (like those arising from share warrants, share call options or debt-to-equity convertibles), if they are currently exercisable or convertible.

The judgments made in determining significant influence are the same to those necessary to determine control over subsidiaries.

The Group's investments in its associate are accounted for using the equity method. The Bank's investments in its associate are accounted at cost in the separate financial statements.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in Other Comprehensive Income of those investees is presented as part of the Group's statement of profit of loss, line "Net result from equity method investments". In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses and dividends resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Bank determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then, recognizes the loss as "Other operating result" in the statement of profit or loss.

Upon loss of significant influence over the associate, the Bank measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

2. Accounting policies *(continued)*

2.2. Significant accounting judgments and estimates

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgments and estimates are as follows:

(1) SPPI assessment

The assessment of whether the contractual cash flows of financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) is subject to the application of significant judgements.

These judgements are crucial in the IFRS 9 classification and measurement process as they determine whether the asset must be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI.

When taking into consideration specific features of loans in the business of BCR Group, significant areas of judgement are prepayment fees, project financing loans and benchmark test for loans with interest mismatch features.

The assessment whether the prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments is based on comparing the level of the fees with the economic costs incurred by the Bank upon the early termination.

For these purposes, BCR Group uses a quantitative test where the costs relate to the lost interest margin and the lost interest differential due to a decrease in the interest rates upon early termination or prepayment. The evaluation is normally performed on a portfolio level. The adequacy of the fees can also be defended on a qualitative basis such as common market practice regarding level of prepayment fees and their acceptance by authorities.

For project financing loans, BCR Group assesses whether they represent basic loan agreements rather than investments in the financed projects. In this respect credit rating, level of collateralisation, existing sponsor guarantees and the extent of equity funding of the financed projects are considered.

Interest mismatches relate mainly to floating rate agreements for which the floating base rate is contractually repriced based on past date price (ex. loans with rate linked to 3-month Euribor and reset frequency of 3 months but the rate is always fixed as of the last day of previous month).

For assets with interest mismatches resulting only from prior and average rates (i.e. no mismatches resulting from a tenor different from the reset frequency), SPPI compliance is considered to be met based on a qualitative assessment if the time lag between the fixation of the rate and the start of the interest period does not exceed one month.

For assets with interest mismatches resulting from prior and average rates (i.e no mismatches resulting from a tenor different from the reset frequency) with the lag between the fixation of the rate and the start of the interest period higher than 1 month, BCR Group has developed what is called a 'benchmark test' to assess whether the interest mismatch feature could result in contractual (undiscounted) cash flows that are significantly different from the (undiscounted) benchmark cash-flows (that would arise if the time value of money element was not modified).

Apart from the interest mismatch features, the terms of this benchmark deal correspond to the asset in the test (i.e. if the floating rate reset frequency is 3 months then the floating rate would be the 3-month Euribor and/or no time lag exists in the floating rate fixation).

The quantitative significance threshold is set to 5%. If the significance thresholds is breached, the benchmark test is not passed, and the financial asset must be measured at fair value through profit or loss.

IRCC is a regulated rate mandatorily used for pricing the loans granted to individuals which was assessed as being a proxy for the time value of money element because it provides consideration that is broadly consistent with the passage of time. The IRCC based loans would not fail SPPI merely because IRCC replaced ROBOR.

(2) Business model assessment

For each SPPI-compliant financial asset at initial recognition, BCR Group must assess whether it is part of a business model where the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets, or they are held in other business models.

As a consequence, the critical aspect in distinguishing the business models is frequency and significance of sales of assets in the respective business model. Since asset allocation to business models is based on the initial assessment, it may happen that in subsequent periods cash flows are realised differently than originally expected, and a different measurement method may seem to be appropriate.

In accordance with IFRS 9, such subsequent changes do not generally lead to reclassifications or prior period error corrections in respect of existing financial assets.

2. Accounting policies *(continued)*

2.2. Significant accounting judgments and estimates *(continued)*

The new information on how cash flows are realised may, however, indicate that the business model, and thus the measurement method changes for newly acquired or newly originated financial assets.

At BCR Group, sales due to increases in credit risk, sales close to assets' maturity, infrequent sales triggered by a non-recurring event (such as changes in regulatory or tax environment, major internal reorganisation or a business combination, severe liquidity crisis, etc.) are considered as not contradicting the held to collect contractual cash flows business model.

Other kinds of sales carried out in the 'held to collect' business model are assessed retrospectively, and if they exceed certain quantitative thresholds, or whenever it is considered necessary with regard to new expectations, BCR Group performs a prospective test.

If the outcome was that the carrying amount of assets expected to be sold over the expected life of the current business model portfolio, for reasons other than the cases above, exceeds 10% of the carrying amount of the portfolio, any new acquisitions or originations of assets would be classified in a different business model.

(3) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet 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 is not available judgment is required to establish fair values. Disclosures for valuation models, the fair value hierarchy, fair values of financial instruments and sensitivity analysis for level 3 financial instruments can be found in Note 43 Fair value of financial assets and liabilities.

(4) Impairment of financial instruments

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increases in credit risk and measurement of expected credit losses without providing detailed guidance. In respect of significant increases in credit risk, BCR Group has determined specific assessment rules consisting of qualitative information and quantitative thresholds. Another area of complexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level. Measurement of expected credit losses involves complex models relying on historical statistics of probabilities of default and loss rates in case of defaults, their extrapolations in case of insufficient observations, individual estimates of credit-adjusted cash flows and probabilities of various scenarios including forward-looking information. In addition, the life of the instruments has to be modelled in respect of prepayment possibilities and in respect of behavioural life of revolving credit facilities.

The impairment loss on loans and advances is disclosed in more detail in Note 42.5.

(5) Benefits granted on the date of retirement

The cost of the defined benefit consisting of a one-off payment of up to four monthly gross salaries on the date of retirement is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Assumptions, estimates and sensitivities used for the defined benefit obligation calculations as well as related amounts are disclosed in Note 33 Provisions.

(6) Impairment of subsidiaries

The Bank reviews its holdings in subsidiaries at each reporting date and whenever a trigger of impairment has appeared, in order to assess whether there is objective evidence that the investment in the subsidiary is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value (higher of fair value less costs to sell and value in use), then, recognizes the loss under Other Operating Result in the statement of profit or loss.

Based on business specifics, specific valuation methods are applied for each subsidiary, such as Dividend Discount Model, Discounted Cash Flows model. The calculation of Fair Value and Value in Use for both foreign and local subsidiaries is most sensitive to discount rates and financial projections (budgets) used.

Assumptions, estimates and sensitivities used for the impairment of subsidiaries as well as related amounts are disclosed in Note 30 Investments in subsidiaries and other assets.

2. Accounting policies *(continued)*

2.2. Significant accounting judgments and estimates *(continued)*

(7) Provisions for allegedly abusive clauses

According to the amendments brought to Law 193 in 2013, whenever the National Consumer Protection Agency or a consumer association asks the court to qualify a clause as abusive, should the judge consider it so, that clause has to be removed from all the ongoing contracts. Since 2015, the Group analyses regularly the amount of collective provisions for cases with allegedly abusive clauses relating to the reimbursement risk (payment risk) of interest and commissions, related to the contracts having similar clauses with the ones subject to the existing litigation portfolio.

The provisions are calculated for the portfolios at risk based on expected values, using statistical methods, separately for active loans, closed loans and loans sold for which the Bank has retained continuing involvement (described in Note 45.2 Transfers of financial assets). The key parameters used are the following: the potential abusive amount, the show up rate (percentage of clients that would open litigation) and the loss probability.
Please see further details on the calculation, including the parameters used, in Note 33 Provisions.

(8) Tax asset resulting from the fiscal treatment of impairment of subsidiaries

In previous reporting periods, the Bank considered the impairment expenses for subsidiaries as non-deductible. However, in 2017, the Bank reconsidered its assessment and concluded that, the impairment expenses for the investment in subsidiaries recorded during the period 2012 - 2015 should have been treated as deductible. The effect of this change in assessment resulted in the recognition of a non-current tax asset of RON 168 million in accordance with IAS 12.46 'Income Taxes' in the 2017 financial statement.

Despite all the arguments put forward by the Bank, the tax authorities considered that the expenses incurred by the Bank with the depreciation of the subsidiaries are not deductible. In 2017 the Bank challenged in the Court of law the Romanian Tax Authority.

The final resolution of this issue is subject of the ongoing litigation with the Romanian Tax Authority. Hence, the fiscal treatment of the impairment expenses for the subsidiaries recorded during the period 2012 – 2015 is subject to inherent uncertainty but the Bank maintained the uncertain tax asset recognized in relation to them based on the expert assessment according to which the Bank has more chances to win the case against the tax authorities than not.

Please see further details on the amounts in Note 28 Tax assets and liabilities.

(9) Assessment of the prejudice in respect of BCR Banca pentru Locuinte SA ("BpL") litigation with Romanian Court of Accounts

Following the final ruling of the High Court of Cassation and Justice on 21 June 2019, as detailed in Note 46 – Contingent liabilities and commitments, the management started a process for assessing the damage in respect of all findings from the CoA for which BpL lost the trial. The damage includes state subsidees paid to clients of BpL deemed not eligible to receive those amounts, according to Court of Accounts Decision, and related penalties and, as applicable, withholding tax. Computation of prejudice includes assessment of applicable civil and tax laws in Romania. In performing those assessments management involved both its internal legal, audit and tax experts but also external independent and qualified tax and legal advisors.

The final deadline for paying the prejudice, following the last prolongation obtained from Court of Accounts is 31 March 2020. As stated in Note 46 - Contingent liabilities and commitments, the management of BpL already paid in September 2019 an amount of ron 50.8 mn, representing part of the damage. However, payment of the remaining amount is also subject to uncertainties as the management initiated, as stated in note 46 - Contingent liabilities and commitments, new actions in respect of the litigation.

Please see notes 30 – Investments in subsidiaries and other assets, 33 - Provisions and 46 – Contingent liabilities and commitments.

2.3. Significant accounting policies

During 2019, the Group and the Bank have applied the same accounting policies as in 2018, except for IFRS 16 which become effective from January 2019.

The main accounting policies applied in the preparation of the separate financial statements of the Bank and of the consolidated financial statements of the Group are set out below:

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

IFRS 16 Leases

As of 1 January 2019, the Group has adopted IFRS 16 'Leases' as issued by IASB in January 2016. IFRS 16 replaced existing guidance for accounting for leases in IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease', SIC-15 'Operating Leases – Incentives' and SIC-27 'Evaluation the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (less than 12 months) and leases of low-value items.
Lessor accounting remains similar to the IAS 17 standard, i.e. the lessor continues to classify leases as finance or operating leases. Compared to IAS 17 the disclosure requirements are more comprehensive under IFRS 16. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases. When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use assets arising from the head lease, not with reference to the underlying asset.

The Group transited to IFRS 16 using the modified retrospective approach according to IFRS 16.C5 (b) whereby comparative information was not restated. The Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The following practical expedients were applied:

- At inception date of a contract, the contract is assessed for whether it contains a lease, i.e. whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. A right-of-use asset and a lease liability are recognised at the lease commencement date. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is determined as the sum of initial amount of lease liability, lease payments made to lessor at or before commencement date, initial direct costs, estimated cost of removing and/or restoring leased asset minus lease incentives. Subsequently is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term. The Group uses the straight-line method of depreciation.
- The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate.
- At transition to IFRS 16 at 01.01.2019, for incremental borrowing rate for property leases BCR referred to a rate readily observable - the property yield. A property yield reflects the annual return expected on the property. This property yield is adjusted to reflect features of the entity or the lease agreement with the following criteria: prime yield, location, asset quality (visibility of space, finishing, access/parking, internal partitioning), lease term and credit worthiness.
- Lease payments comprise fixed lease payments that depend on an index or a rate and amounts expected to be payable under a residual value guarantee. Additionally, the exercise price under a purchase option and lease payments in an optional renewal period are considered if the lessee is reasonably certain to exercise the options.
- Subsequently, the carrying amount of the lease liability is increased by interest accrued using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification.
- The Group does not apply IFRS 16 to any leases on intangible assets
- BCR Group uses the exemption for short-term leases and leases of low-value items whereby the right-of-use asset is not recognised.
- BCR Approach is in case of unlimited tenor contracts which only include a cancelation period within which the contract can be cancelled, the lessee has to assess whether it is certain that the cancelation right will not be exercised. If the assessment leads to the assumption that the cancelation right will not be exercised, the lessee shall make the best possible estimation of its lease term (in case of leased lands, in case the contract is unlimited the lease term is related to the useful life of the related building).
- In the statement of financial position, right-of-use assets have been included in the line item 'Property and equipment'.

During 2019, the Group changed the methodology regarding the calculation of the incremental borrowing rate. The incremental borrowing rate for movables consists of Robor/Euribor as a base rate, adjusted by a surcharge based on the entity's rating, the term of the lease and the collateral provided. The determination of the incremental borrowing rate for property leases is generally based on a market rate derived from existing Bank data from the lending business whose subcomponents properly reflect the lease term, creditworthiness, risk free rate and capital costs, in order to retrieve a market rate which is at arm's length . Further, an adjustment to the market rate is necessary to reflect the surcharge for the unsecured lending portion by comparing an unsecured refinancing instrument with a secured refinancing instrument whereas both instruments should have similar terms. The allocation of the surcharge should be based on the quality of the single property.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

From applying the new methodology for deriving interest borrowing rates, BCR recorded the following impact: increase of the right of use asset and lease liability with RON 42,222 thousand at Bank level. The weighted average discount rate used in IFRS 16 application for year end is 2.18%, due to the fact that around 94% of BCR's lease contracts are in Euro.
For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

In the context of transition to IFRS 16, right-of-use assets 300,481 thousand RON and lease liabilities in the amount of 299,923 thousand RON at Group level were recognised as at 1 January 2019, the difference representing the prepayments. Mainly land and buildings are subject to lease at the Group. All the contracts have a fixed lease payments.

Reconciliation of total lease commitments to lease liabilities

	Group	Bank
in RON thousands	Finance lease liabilities	Finance lease liabilities
Operating lease commitments (IAS 17) undiscounted as of 31 December 2018	**387,432**	**362,265**
(-) Discounting (using incremental borrowing rates as at 1 January 2019)	(83,406)	(77,610)
Discounted operating lease commitments as of 1 January 2019	**304,026**	**284,655**
Recognition exemption for:	(4,919)	(4,032)
(-) Short-term leases	(4,919)	(4,032)
+/(-) Extension and termination options reasonably certain to be exercised	6,508	-
+/(-): Other	(5,692)	(5,692)
Lease liabilities recognised as of 1 January 2019	**299,923**	**274,931**

The Group, as a lessor, has classified some of its sublease agreements as finance lease. Finance lease asset receivables amounting to 3,339 thousand RON were recognised at Bank level.

(1) Financial instruments

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. All financial assets and liabilities – which also include derivative financial instruments – have to be recognised on the balance sheet and measured in accordance with their assigned categories.

(2) Initial recognition and measurement

i. Initial recognition

Financial instruments are initially recognised when BCR Group becomes a party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognised at the settlement date, which is the date that an asset is delivered.

ii. Initial measurement

Financial instruments are measured initially at their fair value including transaction costs (except for financial instruments at fair value through profit or loss, for which transaction costs are recognised directly in profit or loss). In most cases, the fair value at initial recognition equals the transaction price, i.e. the price transferred to originate or acquire a financial asset or the price received to issue or incur a financial liability.

(3) Classification and subsequent measurement of financial assets

In accordance with IFRS 9, the classification and subsequent measurement of financial assets depend on the following two criteria:

- The business model for managing the financial assets – the assessment is focused on whether the financial asset is part of a portfolio in which the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets or they are held in other business models.
- The cash flow characteristics of the financial assets – the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

2. Accounting policies (*continued*)

2.3. Significant accounting policies (*continued*)

i. Financial assets at amortised cost

Financial assets are measured at amortised cost if they are held in a business model whose objective is to collect contractual cash flows, and their contractual cash flows are SPPI.

On the balance sheet, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line 'Financial assets at amortised cost', 'Trade and other receivables', 'Finance lease receivables' and 'Cash and cash balances'. Cash balances include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this item.

Interest income on these assets is calculated by effective interest method and is included under the line 'Interest income' under 'Net interest income'. Impairment gains or losses are included in the line 'Impairment result from financial instruments'.

At BCR Group, financial assets at amortised cost constitute the largest measurement category, which includes the vast majority of loan business to customers (except for certain loans measured at fair value through profit or loss), interbank lending business (including reverse repo transactions), deposits with central banks, amounts in the course of settlement, trade and other receivables, finance lease receivables.

The main items under "trade and other receivables" position are represented by factoring assets. Recourse factoring is initially recognized against the Seller at the date when the Bank becomes contractually bound to the terms and conditions of the underlying factoring contract with the seller (typically, the sign-up date of that underlying factoring contract).

In case of non-recourse factoring, the related assets are recognized against the underlying buyers at the dates when the Bank acquires from the seller the right to collect from the underlying buyers the contractual cash-flows of the related underlying invoices (typically, the date of a down-payment required by the seller).

Regarding the timing and amount of revenue recognition, the IFRS 15 requirements are applied in case of all fees related to non-recourse factoring and in case of the fees derived from recourse factoring which are not part of the effective interest rate.

Contractual modifications and related de-recognition triggers are deemed not applicable in case of factoring assets.

Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield enhancement activities). Their common attribute is that significant and frequent sales of such securities are not expected.

The EIR is used for recognition of interest income and interest expense. Interest income is calculated in the following way:

- EIR applied to the gross carrying amount for financial assets that are not credit-impaired (Stage 1 and Stage 2, see part 'Impairment of financial instruments');
- EIR applied to the amortised cost for financial assets that are credit-impaired (Stage 3, see 'Impairment of financial instruments'); and
- credit-adjusted EIR applied to the amortised cost for POCI financial assets.

ii. Financial assets at fair value through other comprehensive income

Debt instrument financial assets are measured at fair value through other comprehensive income (FVOCI) if their contractual cash flows are SPPI-compliant and they are held within a business model whose objective is achieved by both to collect contractual cash flows and sell the assets. On the balance sheet, they are included as 'Debt securities' under the line 'Financial asset at fair value through other comprehensive income'.

Interest income on these assets is calculated using the effective interest method and is included under the line 'Net interest income' in the statement of income. Impairment gains and losses are recognised in profit or loss in the line 'Impairment result from financial instruments'. As a result, the measurement impact recognised in profit or loss is the same as for financial assets measured at amortised cost.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

The difference between the fair value at which the assets are carried in the balance sheet and the amortised cost component is recognised as accumulated OCI in equity specifically under 'Fair value reserve' in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line 'Debt instruments at fair value through other comprehensive income'.

The debt instruments belonging to this category are subject to the impairment requirements of the standard (IFRS 9.5.5.1) and their respective credit loss allowances are calculated based on the one-year or lifetime expected losses, depending on the particular stage the asset is assigned to. However, the loss allowance is recognised in other comprehensive income and it does not reduce the carrying amount of the financial asset on the balance sheet. The amount of credit loss allowance is recognized in the income statement under the respective positions dedicated to the particular type of instrument. The amount accumulated under the CLA position within OCI determines an increase in the OCI reserve due to the fact that it represents a counter-booking to the amounts already presented in the Income statement. The impairment booking entry between the Income statement and OCI does not constitute reclassification ('recycling') from OCI to profit or loss.

When the debt financial asset is derecognised, the amount previously accumulated in OCI is reclassified to profit or loss and reported under the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

Debt securities measured at FVOCI are part of 'held to collect and sell' business models. Similarly to debt instruments, assets measured at amortised cost, they relate to various business objectives such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield-enhancement activities.

The common attribute for investments in debt instruments at FVOCI is that an active yield optimisation via sales is integral to achieving the objectives. The sales are carried out in order to optimise the liquidity position or to realise the fair value gains or losses. As a result, the business objectives are achieved through both collecting contractual cash flows and sales of the securities.

For certain investments in equity instruments that are not held for trading, BCR Group makes use of the option to measure them at FVOCI. This election is only applied at initial recognition, is irrevocable and is considered only for strategic, significant banking business relationship investments. The fair value gains or losses for the period are reported as OCI in the line 'Fair value changes of equity instruments' of the statement of comprehensive income.

The cumulative gains or losses are included under 'Fair value reserve' in the statement of changes in equity. The amount recognised in OCI is never reclassified to profit or loss. Dividends received on these investments are reported under the line 'Dividend income' of the statement of income. On the balance sheet, financial assets measured at fair value through OCI are included as 'Equity instruments' under the line 'Financial asset at fair value through other comprehensive income'.

iii. Financial assets at fair value through profit or loss

Financial assets whose contractual cash flows are not considered as SPPI are automatically measured at FVPL. In the business of BCR Group, this concerns certain loans to customers, equity instruments and debt securities.

Other source of FVPL measurement relates to financial assets that are part of residual business models, i.e. they are neither held to collect contractual cash flows nor held to either collect contractual cash flows or sell the assets. These financial assets are generally expected to be sold before their maturity or they are managed and their performance is evaluated on a fair value basis.

On the balance sheet, debt instrument financial assets measured at FVPL are presented as 'Financial assets held for trading', sub-items 'Other trading assets'. Financial assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows are not SPPI or they are held as part of residual business models that are other than held for trading.

In the statement of income, the profit or loss effects of financial assets measured at FVPL are split into interest income or dividend income and fair value gains and losses. The dividend income on equity instruments is presented in the line 'Dividend income'.

The fair value gains or losses are calculated net of the interest or dividend income. The transaction costs and origination fees are immediately recognized in profit or loss, as part of 'Net trading result'. They are reported in the line 'Net trading result' for financial assets held for trading and in the line 'Gains/losses from non-trading financial instruments mandatorily measured at fair value through profit or loss' in case of non-trading financial assets at FVPL.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(4) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss.

i. Financial liabilities at amortised cost

For presentation on the balance sheet, the line item 'Financial liabilities measured at amortised cost' is used. The liabilities are further broken down into 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred are reported in the line item 'Net interest income' in the statement of income. Gains and losses from derecognition (mainly repurchase) are reported under the line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

ii. Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL consist of financial liabilities held for trading and financial liabilities designated at FVPL. The Group did not designate any financial liabilities at fair value through profit or loss.

The gains or losses on financial liabilities held for trading are reported in the line 'Net trading result' in the statement of income.

(5) Impairment of financial instruments

BCR Group recognises loss allowances for impairment on its debt instrument financial assets, other than those measured at FVPL, its lease receivables, and its off-balance credit risk exposures arising from financial guarantees and certain loan commitments. The impairment is based on expected credit losses whose measurement reflects:

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

The amount of the impairment loss is recognised as a loss allowance. For the purpose of the measurement of the amount of expected credit loss and recognition of interest income, BCR Group distinguishes between three stages of impairment.

As per IFRS 9 requirements the following definitions of expected credit losses are used:

- lifetime expected credit losses - the expected credit losses that result from all possible default events over the expected life of a financial instrument.
- 12-month expected credit losses - the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Stage 1 relates to financial instruments for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset.

Financial instruments in Stage 2 are subject to significant increase in credit risk since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset.

Financial assets in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, BCR Group generally adopted the approach of aligning it with the regulatory concept of 'default' for lending exposures. The impairment for such financial assets is measured in the amount of lifetime expected credit loss. Interest income is recognised by EIR applied to the amortised cost (i.e. the net carrying amount) of the financial asset.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

From a balance sheet perspective, interest is accrued based on the financial assets' gross carrying amount. The difference between the interest accrued on the assets and the interest income recognised is reflected through the allowance account (without impacting the impairment loss).

The loss allowances decrease the value of the assets, i.e. for financial assets measured at amortised cost, the net carrying amount of the financial asset presented on the balance sheet is the difference between the gross carrying amount and the cumulative loss allowance, that is recognised in the statement of profit or loss. However, for financial assets measured at FVOCI, the loss allowance is recognised in accumulated OCI, specifically under 'Fair value reserve' in the statement of changes in equity and it does not reduce the carrying amount of the financial asset on the balance sheet.

For financial assets that are credit-impaired at initial recognition (purchased or originated credit-impaired – POCI – financial assets) lifetime expected credit losses are initially reflected in the credit-adjusted effective interest rate. As a result, no loss allowance is recognised at inception.

Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets.

Loss allowances for loan commitments and financial guarantees are presented under the balance sheet line item 'Provisions'. Measurement of ECL for credit lines and other facilities with undrawn component is done separately for the undrawn component.

In the statement of income, impairment losses and their reversals (gains) on all categories of financial instruments are presented in the line item 'Net impairment loss on financial instruments'. Disclosures concerning impairment of financial assets are in Note 12.

(6) Write-offs

BCR Group writes off a financial asset or a part of it when it has no reasonable expectations of recovering the respective cash flows. When performing the write-off, the gross carrying amount of the asset is reduced simultaneously with the related loss allowance balance.

BCR Group has specified criteria for writing off the unrecoverable balances in its loan business. Write-off can result from forbearance measures whereby the Bank contractually waives part of the existing balance in order to help the customers overcome financial difficulties and thus improve the prospects of recovering the remaining loan balance (normally this relates to going concern scenarios for corporate customers).

In gone concern scenarios with corporate customers, write-offs of the unrecoverable exposure parts are triggered by enforcement activities such as filing or termination of legal proceedings (bankruptcy, liquidation, court case).

Other write-off triggers may result from decisions about no enforcement due to worthlessness of the claim/collateral or generally from assessment that the receivable is economically lost.

For retail customers, the non-recoverability and the timing and amounts of write-off crystallise during the collection process when it becomes evident that the amount due cannot be collected, e.g. due to ongoing bankruptcy proceedings. Residual uncollectable balances are written off after the collection process.

(7) Derecognition of financial instruments including treatment of contractual modifications

i. Derecognition of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired; or
- BCR Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;

and either:

- it has transferred substantially all risks and rewards connected with ownership of the asset, or
- has neither transferred nor retained substantially all risks and rewards connected with ownership of the asset but has transferred control of the asset.

The difference between the carrying amount of the derecognised asset and the consideration received is presented in the statement of income in the line 'Gains/losses from derecognition of financial assets measured at amortised cost' or, for debt financial assets at FVOCI, in the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

For financial assets measured at FVPL the derecognition gains or losses are recognised together with the measurement result in the lines 'Net trading result' or 'Gains/losses from financial instruments measured at fair value through profit or loss'.

ii. Derecognition criteria with respect to contractual modifications of financial assets

In the normal course of running its lending business and in agreement with the respective debtors, BCR Group may renegotiate or otherwise modify some terms or conditions of the underlying contracts. This can involve either market-driven commercial renegotiations or contractual changes aimed at alleviating or preventing borrower's financial difficulty.

For the purpose of capturing the economic substance and financial effect of such contractual modifications, BCR Group has developed a set of criteria to assess whether or not the modified terms are substantially different from the original terms.

Substantial modifications lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument. They include the following events:

- change of the contractual counterparty (unless this is a formal change such as changes in legal name);
- change in the currency of the contract (unless the change results from exercising an embedded option in the original contract with pre-agreed conditions of the change, or if the new currency is pegged to the original currency);
- introduction of a non-SPPI contractual feature (unless it is intended to improve recoveries from debtors by granting concessions supporting them to recover from financial difficulties); and
- removal of a non-SPPI contractual feature.

Some derecognition criteria distinguish whether contractual modifications are applied to debtors facing financial difficulties. Application of certain modifications to debtors in financial difficulties is not considered as substantial since they are aimed at improving the prospects of the Bank to recover the claims by tailoring the repayment schedules to specific financial conditions of those debtors.

On the other hand, such contractual modifications applied to performing debtors may be considered as substantial enough to warrant the derecognition, as further detailed below.

From this perspective, the following criteria lead to derecognition unless they are considered as forbearance measures, they are applied to customers in default or they trigger default:

- repayment schedule changed in a way that the weighted remaining maturity of the assets is modified by more than 100% and not less than two years compared to the original asset;
- change in timing/amount of contractual cash flows resulting in the present value of the modified cash flows (discounted at pre-modification effective interest rate) being different by more than 10% of the gross carrying amount of the asset immediately before the modification (cumulative assessment considering all modifications occurring over the last twelve months); or
- commercial renegotiations initiated by a debtor seeking better terms as an alternative to re-financing while a prepayment/early termination option and a sufficiently competitive refinancing market exist . This derecognition trigger rarely applies to loan assets in Stage 2 and never in Stage 3.

If contractual modifications that qualify as forbearance measures are applied to customers in default or trigger default are so significant that they are qualitatively assessed as an extinguishment of original contractual rights, they result in derecognition. Examples of such modifications are:

- a new agreement with materially different terms signed up as part of distressed restructuring following a standstill agreement suspending the rights of the original assets;
- consolidation of multiple original loans into one with substantially different terms; or
- transformation of a revolving loan into non-revolving.

Contractual modifications leading to derecognition of the related original assets result in the initial recognition of new financial assets. If the debtor is in default or the significant modification leads to the default, then the new asset will be treated as POCI. The difference between the carrying amount of the derecognised asset and initial fair value of the new POCI asset is presented in the statement of income in the line 'Impairment result from financial instruments'.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

If the debtor is not in default or the significant modification does not lead to default, the new asset recognised after derecognition of the original asset will be in Stage 1. For loans measured at amortised cost, the unamortized balance of the origination fees/transaction costs considered in the effective interest rate is presented in the line 'Net interest income' at the derecognition date.

The release of the credit loss allowance attached to the original asset at the date of that significant modification as well as the credit loss allowance recognised for the new asset are presented in the line 'Impairment result from financial instruments'.

For financial assets measured at FVPL, irrespective of whether they are in default, the derecognition gains and losses are included in the same line items of the statement of income as their measurement result, i.e. in 'Gains/losses from financial instruments measured at fair value through profit or loss'. For debt instrument assets not measured at FVPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss.

The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original effective interest rate.

In the statement of income, the modification gain or loss is presented in the line 'Net interest income' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment result from financial instruments'.

iii. Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. This normally occurs when the liability is repaid or repurchased.

In the statement of income, the difference between the carrying amount of the derecognised financial liability and the consideration paid is presented in the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss', 'Gains/losses from financial instruments measured at fair value through profit or loss' and 'Net trading result' depending on the measurement category of the derecognised financial liability.

(8) Derivative financial instruments

Derivative financial instruments are used by BCR Group to manage exposures to interest rates, foreign currencies and other market price risks. Derivatives used by BCR Group include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps.

Derivative financial instruments are carried at fair value (dirty price) on the balance sheet. Derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

Derivatives – held for trading are those that are not designated as hedging instruments for hedge accounting. They are presented in the line item 'Derivatives' under the heading 'Financial assets/Financial liabilities held for trading'. All kinds of non-hedging derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, are presented in this line item.

Changes in the fair value (clean price) of derivatives – held for trading are reported in the statement of income in the line item 'Net trading result'. Interest income/expense related both to held for trading used for economic hedges and hedging derivatives is presented in the statement of income in the line item 'Other similar income' or 'Other similar expenses' under 'Net interest income'.

(9) Foreign currency translation

The financial statements are presented in RON, which is the Bank's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange ruling at the statement of financial position date. All differences are taken to 'Foreign currency translation' in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(ii) Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into the Bank's presentation currency (RON) at the National Bank of Romania (NBR) rate of exchange ruling at the statement of financial position date, and their profits or losses are translated at the average NBR exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the statement of comprehensive income in 'Other operating result'.

(10) Repurchase and reverse repurchase agreements

Transactions where securities are sold under an agreement to repurchase at a specified future date are also known as 'repos' or 'sale and repurchase agreements'. These securities are not derecognized from the statement of financial position, as Group retains substantially all the risks and rewards of ownership because the securities are repurchased when the repo transaction ends. Furthermore, the Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the repo transactions. These payments are remitted to the Group or are reflected in the repurchase price.

The corresponding cash received is recognized on the statement of financial position with a corresponding obligation to return it as a liability under the line item 'Financial liabilities measured at amortized cost', sub-items 'Deposits from banks' or 'Deposits from customers' reflecting the transaction's economic substance as a loan to the Group.

The difference between the sale and repurchase prices is treated as interest expense and recorded in the income statement under the line item 'Net interest income' and is accrued over the life of the agreement.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized on the statement of financial position. Such transactions are also known as 'reverse repos'.

The consideration paid is recorded on the balance sheet under the respective line items "Financial assets at amortised cost", sub-item 'Loans and advances to banks' or 'Loans and receivables to customers', reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement and recorded in the income statement under the line item 'Net interest income'.

(11) Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is market related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the statement of financial position date. Where a fair value cannot reliably be estimated, unquoted equity instruments e.g. investments in subsidiaries (see note 30) that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

(12) Offsetting financial instruments

Financial assets and financial liabilities are presented gross in the statement of financial position. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(13) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Group financial guarantees are measured at the higher of the amount of the loss allowance determined as expected credit loss under IFRS 9 and the amount initially recognized less any cumulative amortization recognized in line with IFRS 15.

Any increase in the liability relating to financial guarantees is taken to the statement of comprehensive income in 'Net impairment loss from financial instruments" and in the statement of financial position in 'Provisions'. The premium received is recognized in the statement of comprehensive income in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

(14) Leasing

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

(i) Group as a lessee

Under IFRS 16, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (less than 12 months) and leases of low-value items.

The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability and also includes other elements such as initial direct costs incurred by the lessee. Subsequently, the right-of-use asset is depreciated to the earlier of the end of its useful life or the end of the lease term. The Group uses the straight-line method of depreciation. The right-of-use assets are presented on the balance sheet as part of 'Property and equipment' or, if they are subleased to third parties, as part of 'Investment properties'.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise fixed lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee. Additionally, the exercise price under a purchase option and lease payments in an optional renewal period are considered if the lessee is reasonably certain to exercise the options.
Subsequently, the carrying amount of the lease liability is increased by interest accrued using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification. On the balance sheet the lease liabilities are presented in the line item 'Lease liabilities'.

In the comparative period when IAS 17 Leases was applied, operating lease payments are recognised as an expense in the statement of income on the line item 'Other administrative expenses' on a straight-line basis over the lease term.

(ii) Group as a lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. In the case of a finance lease, the lessor reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of income in the line item 'Other similar income' under 'Net interest income'.

In the case of operating leases, which are leases other than finance leases, the leased asset is reported by the lessor in 'Property and equipment' or in 'Investment properties' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the statement of income under the line item 'Rental income from investment properties and other operating leases'. Operating leases mainly include the leasing of commercial real estate and cars.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(15) Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(15.1) Business combinations with entities under common control

Business combinations arising from transfers of interest in entities that are under the common control are accounted for as if the acquisition had occurred at the effective date of the merger. No restatement of the comparatives was presented. The assets and liabilities of the absorbed entities are recognized at the carrying amounts recognized previously in the Group's controlling shareholder's consolidated financial statements.

(16) Property and equipment

Property and equipment is stated at cost (restated for hyperinflation for assets acquired prior to 31 December 2003 – Note 2.1) excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

• Buildings	30 to 50 years (mainly 50 years)
• Office equipment	3 to 10 years
• Other furniture and equipment	3 to 10 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating result' in the statement of comprehensive income in the year the asset is derecognized.

(17) Investment properties

Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation. In the case of partial own use, the property is classified as investment property only if the owner-occupied portion is not significant.

Investments in land and buildings under construction, where the future use is expected to be the same as for investment property, are treated as investment property.

An investment property is measured initially at its cost taking into account any expenditure directly attributable to the purchase (e.g. fees paid to the estate agent, notarial fees, property transfer taxes and fees).

After initial recognition an investment property is measured at cost (cost model) in accordance with IAS 16. Following that, an investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the period of derecognition.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(18) Intangible assets

Intangible assets include the value of computer software and licenses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software and licenses 3-7 years
- Licences are amortized on the duration of the utilization.

(19) Impairment of non-financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

Buildings have been split in the following categories in order to establish the Cash Generating Unit level and perform Value in use calculation for the impairment testing:

- occupied buildings
- rented buildings (including buildings rented more than 50%)
- free buildings (including buildings free more than 50%)

The CGU in case of occupied buildings was established at Company (BCR) Level, while rented and free buildings are treated as separate identifiable CGUs.

(20) Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months of classification as held for sale. If assets are to be sold as part of a group that may also contain liabilities (e.g. a subsidiary) they are referred to as disposal group held for sale.

The assessment on whether the sale is highly probable takes into account the following aspects:

- the appropriate level of management is committed to a plan to sale;
- an active programme to locate a buyer and complete the sale has already begun;
- the asset must be actively marketed at a price that is reasonable compared to its current fair value;
- the sale should be expected to be recorded as completed within one year from the date of classification;
- the actions required to complete the plan should indicate that it is not likely that there will be significant changes made to the plan or that the plan will be withdrawn.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported under the balance sheet line item 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented on the balance sheet under the line item 'Liabilities associated with assets held for sale'.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Should the impairment loss in a disposal group exceed the carrying amount of the assets that are within the scope of IFRS 5 measurement requirements, there is no specific guidance on how to treat such a difference. The Group recognizes this difference in line 'Other operating result'.

(21) Property held for sale (Inventory)

The Group also invests in property that is held for sale in the ordinary course of business or property in the process of construction or development for such sale. This property is presented as 'Other assets' and is measured at the lower of cost and net realisable value in accordance with IAS 2 Inventories.

The cost of acquiring inventory includes not only the purchase price but also all other directly attributable expenses, such as transportation costs, customs duties, other taxes and costs of conversion of inventories, etc. Borrowing costs are capitalised to the extent to which they directly relate to the acquisition of real estate.

Sales of these assets are recognised as revenues under the statement of income line item 'Other operating result', together with costs of sales and other costs incurred in selling of the assets.

(22) Employee benefits

(i) Short term service benefits

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

(ii) Defined contribution plans

The Bank and the subsidiaries in Romania, in the normal course of business make payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank and of the subsidiaries in Romania are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the profit or loss as incurred. The Bank and its subsidiaries in Romania make payments to the Romanian state's funds on behalf of its Romanian employees for contributions due to the state social insurance budget, contributions due to the single health insurance fund. Contributions are paid by the employer. All employees of the Bank and its subsidiaries in Romania are legally obliged to pay the contributions defined by the Romanian state. BCR pays the labor insurance contribution to the state funds, the contribution is relevant to the profit and loss account.

The Bank and the subsidiaries in Romania do not operate any independent pension scheme and, consequently, have no obligation in respect of pensions.

(iii) Long-term service benefits

The Bank's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. On the basis of the Collective Labor Agreement, the Bank and one of its Romanian subsidiaries have a contractual obligation to make a one-off payment of up to four (the Bank), respectively two (the subsidiaries) gross monthly salaries to retiring employees on the date of retiring. The defined benefit obligations are calculated by a qualified actuary taking into account the estimated salary at the date of retirement and the number of years served by each individual.

(iv) Deferred cash bonuses

For Management Board members, all executive directors and Other Identified staff, variable remuneration is subject to a deferral mechanism.

Depending on the amount, a pre-set % of the variable remuneration payment is allocated immediately (meaning upfront payment) and a pre-set % of the variable remuneration payment is deferred over the minimum three (3) years (equal instalments). 50% of the entire variable remuneration has to be effected in cash and 50% in remuneration certificates.

BCR uses a remuneration certificate as an alternative to non-monetary payment. Through the certificates, the 50% portion of a variable component of remuneration is be granted in remuneration certificates. The nominal value of a certificate shall be 1 leu (at granting date). The value of a certificate at the payment date shall be set based on its current price observing the calculation method detailed in the Remuneration Policy.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(23) Provisions

Provisions are recognized when the Bank and Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

In accordance with the provisions of IAS 37, BCR Group does not recognize on-balance the contingent liabilities because they are, either:

- possible obligations depending on whether some uncertain future event occurs, or
- present obligations but payment is not probable or the amount cannot be measured reliably.

The same policy is applied for contingent assets which are defined as possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities as well as contingent assets are monitored and revalued on a continuous basis in order to ensure that all subsequent to initial recognition developments have been considered and a provision will be recognized, if the case.

(24) Other reserve

The legal reserves require the transfer in a reserve fund of 5% of the net profit of the Bank up to minimum 20% of the Bank's share capital.

The reserve representing the fund for the general banking risks was allocated from the pre-tax accounting profit of the Bank starting with financial year 2004 until the end of financial year 2006 calculated as 1% of the banking risk assets.

The general reserve for credit risk was allocated from the pre-tax accounting profit of the Bank until the end of financial year 2003 until it reached the level 2% from the balance of the loans granted.

(25) Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Liability for a levy (i.e Deposit insurance fund and recovery & resolution fund) imposed by a Government is recognized at the amount expected to be paid to the Government or similar local or international bodies, progressively if the obligating event occurs over a period of time, or in full when a minimum threshold is reached if the obligation is triggered on reaching a minimum threshold.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in other comprehensive income and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(26) Contract assets and contract liabilities

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance).

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

(27) Fiduciary assets

Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Group.

(28) Dividends on ordinary shares

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

Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

(29) Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group),
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to
- be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

(30) Recognition of income and expenses

Revenue/expense is recognized to the extent that it is probable that the economic benefits will inflow/outflow to the Group and the revenue/expense can be reliably measured.

2. Accounting policies *(continued)*

2.3. Significant accounting policies *(continued)*

(i) Net interest income

Net interest income is broken down into line items of interest income, other similar income, interest expenses and other similar expenses. The distinguishing factor is whether the EIR method is mandatorily applied for recognition of interest income or expense in accordance with IFRS 9.

'Interest income' relates to interest revenue from financial assets measured at amortised cost and at fair value through other comprehensive income.

It is calculated using the EIR method as discussed in chapter 'Financial instruments', 'Measurement methods for financial instruments', part 'i. Amortised cost and effective interest rate'.

'Other similar income' captures interest-like sources of income resulting from non-derivative financial assets measured at fair value through profit or loss, held-for-trading derivatives used for economic hedge, hedge accounting derivatives and negative interest on financial liabilities.

'Interest expenses' relates to interest expense from financial liabilities measured at amortised cost calculated using effective interest rate as discussed in chapter 'Financial instruments', 'Measurement methods for financial instruments', part (i) 'Amortised cost and effective interest rate'.

'Other similar expenses' capture interest-like sources of expense resulting from non-derivative financial liabilities measured at fair value through profit or loss, held-for-trading derivatives used for economic hedge, hedge accounting derivatives, negative interest on financial assets, effect of passage of time on provisions recognised under IFRS 9 and IAS 37 and net defined liability (net interest cost on severance payment, pension and jubilee obligations) under IAS 19.

As regards types of financial instruments, interest income and other similar income include interest income on loans and advances to banks and customers, on cash balances, and on debt securities in all measurement categories of financial assets. Interest expenses and other similar expenses include interest paid on deposits from customers, deposits from banks, debt securities issued and other financial liabilities in all measurement categories of financial liabilities. Net interest income also includes interest on derivative financial instruments.

Interest income also includes modification gains and losses recognised on financial assets in Stage 1. Further, the unamortised balance of the origination fees/transaction costs upon derecognition of assets in Stage 1 and 2 considered in the effective interest rate is presented as interest income at the derecognition date.

(ii) Net fee and commission income

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

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period, being recognized in P&L gradually. These fees include commission and asset management income, guarentees given, guarentees received.

Loan commitment given and received fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Fees that are recognized when the service is provided are securities – brokerage, clearing and settlement, custody, payment services, customer resources distributed but not managed, structured finance.

(iii) Dividend income

Revenue is recognized when the Group's or Bank's right to receive the payment is established.

(iv) Net trading and fair value result

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense for financial assets and financial liabilities held for trading.

2. Accounting policies *(continued)*

2.4. Changes in accounting policy and disclosures

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Group and Bank:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019);
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019);
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

2.5. Standards issued but not yet effective and not early adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Group has not early adopted.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020)

The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term ‘outputs’ is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a ‘concentration test’. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group’s financial statements.

3. Net interest income

	Group		Bank	
in RON thousands	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Interest and other similar income				
Financial assets at amortised cost	2,495,326	2,339,258	2,404,346	2,245,195
Financial assets measured at fair value through other comprehensive income	166,382	149,369	163,760	147,301
Interest income	2,661,708	2,488,627	2,568,106	2,392,496
Non-trading financial assets at fair value through profit or loss	367	759	367	759
Financial assets - held for trading	20,686	28,947	20,686	28,947
Finance lease receivables	59,974	56,741	233	-
Other assets	4,428	7,447	4,309	7,243
Negative interest from financial liabilities	1,328	1,540	1,328	1,540
Other similar income (i)	86,783	95,434	26,923	38,489
Total interest and other similar income	2,748,491	2,584,061	2,595,029	2,430,985
Interest and other similar expense				
Financial liabilities measured at amortised cost	(451,566)	(513,662)	(416,360)	(461,631)
Interest expenses	(451,566)	(513,662)	(416,360)	(461,631)
Financial liabilities - held for trading	(9,057)	(13,987)	(9,057)	(13,987)
Finance lease liabilities	(20,229)	-	(21,388)	-
Other liabilities	(10,780)	(9,108)	(8,427)	(8,781)
Negative Interest from financial assets	(588)	(109)	(588)	(109)
Other similar expenses	(40,654)	(23,204)	(39,460)	(22,877)
Total Interest and other similar expense	(492,220)	(536,866)	(455,820)	(484,508)
Net interest income	2,256,271	2,047,195	2,139,209	1,946,477
Thereof: interest-income on credit impaired financial assets	50,457	31,790	35,393	31,717

(i) The interest income related to finance lease receivables was reclassified for 2018 from interest income to other similar income as required by IAS 1.82 (a).

4. Net fee and commission income

				Group
in RON thousands	**31.12.2019**		**31.12.2018**	
	Income	**Expense**	**Income**	**Expense**
Securities - brokerage	30,088	(5,531)	9,720	(4,165)
Clearing and settlement	7,038	(13,026)	6,425	(12,893)
Asset management	27,497	-	39,366	-
Custody	15,990	(4,229)	15,705	(4,981)
Payment services	**600,437**	**(114,529)**	**535,603**	**(106,908)**
Card business	180,401	(76,002)	119,171	(61,913)
Other	420,036	(38,527)	416,432	(44,995)
Customer resources distributed but not managed	**144,947**	**(3,505)**	**135,923**	**(2,627)**
Collective investment	36,311	-	39,506	-
Insurance products	81,178	-	72,806	-
Foreign exchange transactions	27,168	(3,505)	23,228	(2,627)
Other	290	-	383	-
Structured finance	18	-	1,743	-
Lending business	**98,868**	**(22,936)**	**107,428**	**(28,920)**
Guarantees given, guarantees received	24,304	(6,362)	34,068	(7,356)
Loan commitments given, loan commitments received	15,415	(1)	20,275	(123)
Other lending business	59,149	(16,573)	53,085	(21,441)
Other	21,577	(2,095)	29,263	(13,868)
Total fee and commission income and expenses	**946,460**	**(165,851)**	**881,176**	**(174,362)**
Net fee and commission income	**780,609**		**706,814**	

4. Net fees and commission income *(continued)*

				Bank
in RON thousands	**31.12.2019**		**31.12.2018**	
	Income	**Expense**	**Income**	**Expense**
Securities - brokerage	**30,088**	**(5,531)**	**9,720**	**(4,165)**
Clearing and settlement	7,049	(12,905)	6,430	(12,776)
Custody	15,990	(2,753)	15,705	(3,494)
Payment services	**596,025**	**(112,226)**	**532,267**	**(105,056)**
Card business	177,587	(74,193)	116,871	(60,623)
Other	418,438	(38,033)	415,396	(44,433)
Customer resources distributed but not managed	**141,310**	**(3,505)**	**134,046**	**(2,627)**
Collective investment	36,311	-	39,506	-
Insurance products	73,090	-	65,096	-
Building society brokerage	422	-	999	-
Foreign exchange transactions	27,169	(3,505)	23,228	(2,627)
Other	4,318	-	5,217	-
Structured finance	18	-	1,743	-
Lending business	**99,238**	**(15,458)**	**107,458**	**(19,940)**
Guarantees given, guarantees received	24,276	(2,188)	33,725	(1,320)
Loan commitments given, loan commitments received	15,415	-	20,275	-
Other lending business	59,547	(13,270)	53,458	(18,620)
Other	11,192	(560)	16,793	(2,251)
Total fee and commission income and expenses	**900,910**	**(152,938)**	**824,162**	**(150,309)**
Net fee and commission income	747,972		673,853	

5. Dividend income

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Non-trading financial assets at fair value through profit or loss (i)	2,569	3,040	2,529	3,040
Financial assets at fair value through other comprehensive income (ii)	-	691	-	691
Dividend income from investment in subsidiaries and associates (iii)	-	-	13,465	7,953
Dividend income	**2,569**	**3,731**	**15,994**	**11,684**

(i) Dividends received from non-trading financial assets at fair value through profit or loss: Biroul de Credit, Transfond, Bursa de Valori Bucuresti, Univers SA, VISA Inc.
(ii) Dividends received in 2018 from financial assets at fair value through other comprehensive income: VISA Inc.
(iii) Dividends received from subsidiaries and associates: BCR Pensii, BCR Payments, Fondul de Garantare a Creditului Rural.

6. Net trading result

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Net Trading Result				
Securities and derivatives trading	61,983	100,461	61,983	100,461
Foreign exchange transactions	284,363	331,248	275,809	326,524
Net Trading Result	**346,346**	**431,709**	**337,792**	**426,985**

7. Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Result from measurement/sale of financial assets mandatorily at fair value through profit or loss	15,569	18,429	15,569	18,429

The variation is due to decrease of loans to customers non SPPI and lower revaluation of minority participations (2019: BCR Asigurari de Viata RON 6 mn; 2018: Biroul de Credit RON 10 mn).

8. Rental income from investment properties and other operating leases

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Investment properties	3,009	2,705	3,009	2,705
Other operating leases	95,910	75,683	8,149	8,340
Rental income from investment properties and other operating leases	**98,919**	**78,388**	**11,158**	**11,045**

Operating leases are mainly from car fleets rentals and other buildings which do not meet the criteria for investment property. Reported increase is in line with expectation of operating leasing business of the Group.

9. General administrative expenses

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Personnel expenses (i)	(775,990)	(780,810)	(668,348)	(684,947)
Other administrative expenses (ii)	(685,214)	(671,461)	(713,793)	(689,897)
Depreciation and amortisation (iii)	(242,258)	(197,901)	(211,820)	(136,238)
Total	**(1,703,462)**	**(1,650,172)**	**(1,593,961)**	**(1,511,082)**
Personnel expenses	**(775,990)**	**(780,810)**	**(668,348)**	**(684,947)**
Wages and salaries	(702,688)	(719,433)	(606,382)	(633,263)
Compulsory social security	(25,321)	(24,448)	(21,056)	(20,407)
Long-term employee provisions	1,738	(223)	1,982	(95)
Other personnel expenses	(49,719)	(36,706)	(42,892)	(31,182)
Other administrative expenses	**(685,214)**	**(671,461)**	**(713,793)**	**(689,897)**
Payments into deposit insurance fund	(60,285)	(20,257)	(55,220)	(16,808)
IT expenses	(254,696)	(225,227)	(247,775)	(218,482)
Expenses for office space	(74,678)	(67,092)	(71,421)	(64,104)
Office operating expenses	(98,646)	(97,434)	(167,559)	(156,526)
Security services	(14,883)	(15,706)	(13,457)	(13,665)
Operating leases	(9,493)	(78,291)	(9,126)	(74,696)
Advertising / Marketing	(57,310)	(59,493)	(55,264)	(56,677)
Legal and consulting costs	(59,322)	(48,033)	(54,959)	(43,302)
Sundry administrative expenses	(55,901)	(59,928)	(39,012)	(45,637)
Depreciation and amortisation	**(242,258)**	**(197,901)**	**(211,820)**	**(136,238)**
Software and other intangible assets	(95,081)	(61,372)	(92,065)	(57,780)
Owner occupied real estate	(20,754)	(34,995)	(20,726)	(34,227)
Investment properties	(5,233)	(3,722)	(5,233)	(3,722)
Right of use assets	(50,975)	-	(49,071)	-
Office furniture and equipment and sundry property and equipment	(70,215)	(97,812)	(44,725)	(40,509)
General administrative expenses	**(1,703,462)**	**(1,650,172)**	**(1,593,961)**	**(1,511,082)**

(i) Personnel expenses declined in 2019 as compared to 2018 by RON 4,820 thousand at consolidated level mainly driven by lower FTE as a result of the transformation and optimization measures implemented during 2019.

The number of own employees of the Bank at 31 December 2019 was 5,412 employees (31 December 2018: 6,054 employees).

The number of own employees of the Group at 31 December 2019 was 6,766 employees (31 December 2018: 7,237 employees).

(ii) Other administrative expenses for the Group in 2019 are higher compared with 2018, mainly driven by higher annual contribution to deposit insurance fund (RON 40,028 thousand), higher IT expenses (RON 29,469 thousand) and legal & consulting costs (RON 11,289 thousand), partly offset by lower rental cost (RON 68,798 thousand) due to applying provisions of IFRS 16 standard starting 2019 (shift with depreciation).

(iii) Depreciation and amortization for the Group in 2019 is higher compared with 2018 mainly driven by right of use asset (RON 49,071 thousands) due to applying IFRS 16 standard provisions starting 2019 (shift with other administrative expenses), increase of IT amortisation due to higher investments (RON 34,285 thousand), partly offset by stop depreciation in CIT One and Fleet Management subsidiaries - classified as Held for Sale during 2019 (RON 32,014 thousand) and other properties classified as Held for Sale.

9. General administrative expenses (*continued*)

The key management remuneration paid during 2019 were of RON 17,425 thousands (2018: RON 14,231 thousands).

	2019				2018			
in RON thousands	Expense	Employer taxes	Accrued liability	Employer taxes	Expense	Employer taxes	Accrued liability	Employer taxes
Short-term benefits	**10,459**	**150**	**1,462**	**33**	**8,789**	**163**	**1,425**	**32**
Salaries	8,396	115	1,462	33	7,392	142	1,425	32
Short-term bonus	-	-	-	-	-	-	-	-
Benefits in kind	2,063	35	-	-	1,397	21	-	-
Share-based compensation:	(113)	(3)	16,581	373	22	-	14,997	337
Cash-settled share-based compensation (bonus cash)	(113)	(3)	16,581	373	22	-	14,997	337

The actual cash out for share based compensation was of 5,503,604 RON in 2019 and 5,154,146 RON in 2018.

The average numbers of own employees during the financial years are presented below (weighted according to the period of employment):

	2019	2018
Domestic	**6,860**	**7,137**
Banca Comerciala Romana	5,685	6,071
CIT One SRL	841	716
BCR Leasing IFN SA	120	113
BCR Banca pentru Locuinte SA	78	82
BCR Payments Services SRL	77	97
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	45	45
BCR Fleet Management SRL	9	8
Suport Colect SRL	5	5
Abroad	**93**	**92**
BCR Chisinau SA	93	92
Total	**6,953**	**7,229**

10. Gains/ (losses) from derecognition of financial assets measured at amortised cost

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Gains from sale of financial assets at amortised cost	20	-	20	-
Losses from sale of financial assets at amortised cost	(505)	-	(505)	-
Gains/(losses) from derecognition of financial assets measured at amortised cost	**(485)**	**-**	**(485)**	**-**

11. Other gains/ (losses) from derecognition of financial instruments not measured at fair value through profit or loss

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Gain from sale of financial assets at fair value through other comprehensive income	421	2,323	421	2,323
Loss from sale of financial assets at fair value through other comprehensive income	(1,148)	(102)	(1,148)	(102)
Gain from sale of financial lease receivables	40	-	40	-
Loss from repayment of liabilities measured at amortised cost (i)	(28,726)	-	(28,726)	-
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	**(29,413)**	**2,221**	**(29,413)**	**2,221**

(i) Due to early reimbursement of long term deposits from banks.

12. Net impairment loss on financial instruments

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Financial assets at fair value through other comprehensive income	414	(1,042)	(1,084)	(772)
Financial assets at amortised cost	17,093	(51,956)	(53,416)	(52,674)
Allocation to risk provisions	(65,889)	(109,001)	(114,930)	(109,288)
Direct write-offs	(40,691)	(63,795)	(36,342)	(39,172)
Recoveries recorded directly to the income statement	140,313	123,261	114,496	98,205
Modification gains or losses	(16,640)	(2,421)	(16,640)	(2,419)
Finance lease	(18,634)	(1,134)	(290)	-
Net allocation of provisions for commitments and guarantees given	62,943	(67,085)	61,063	(68,915)
Net impairment loss on financial instruments	**61,816**	**(121,217)**	**6,273**	**(122,361)**

Net impairment losses mainly driven by releases from the non-performing loans portfolio exceeding the allocations for new defaults as 2019 was characterized by low NPL inflows.

13. Other operating result

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Other income, of which:	**286,092**	**174,340**	**180,815**	**77,544**
Gain on disposal of premises and equipment	1,540	-	1,836	5,831
Gain on disposal of investment properties	18,455	16,983	18,455	8,179
Gain on disposal of non-current assets held for sale (i)	89,054	334	89,054	334
Gains on other assets	74,617	87,163	33,198	41,585
Other income (ii)	102,426	69,860	38,272	21,615
Other expense, of which:	**(1,209,205)**	**(262,260)**	**(886,053)**	**(338,031)**
Other provisions - net (allocation)/release (iii)	(714,356)	108,102	26,718	98,163
Loss on disposal of premises and equipment	-	(812)	-	-
Losses on other assets	(56,927)	(64,429)	(19,792)	(24,932)
Impairment of subsidiaries(iv)	-	-	(583,430)	(166,410)
Impairment of tangible and intangible assets	(93,528)	(94,636)	(48,065)	(96,024)
Impairment of other assets	(23,186)	(14,918)	(20,443)	(12,068)
Recovery and resolution fund	(31,362)	(25,408)	(31,357)	(25,403)
Insurance premiums	(71,200)	(73,719)	(56,824)	(58,011)
Levies on banking activities (v)	(52,003)	-	(52,003)	-
Other taxes	(23,478)	(16,213)	(20,066)	(13,889)
Other expenses (vi)	(143,165)	(80,227)	(80,791)	(39,457)
Total	**(923,113)**	**(87,920)**	**(705,238)**	**(260,487)**

(i) The main impact is due to the sale of former headquarter Regina Elisabeta building.

(ii) Include the income related to nonbanking activities, such as cash processing and transportations and car fleet management activities.

(iii) The increase in the allocation of other provisions at Group level is mainly due to the event regarding the control of Court of Accounts at BpL described in Note 46 – Contingent liabilities and commitments.

(iv) Impairment of subsidiaries is eliminated at Group level. Further details are presented in Note 30.

(v) On 28 December 2018, the Romanian Government issued the Emergency Ordinance 114/2018 ("OUG 114" or "the law") applicable from 1 January 2019. The new law is mandatory for banking institutions, which include credit institutions, Romanian legal persons, so defined according to the law on the organisation and functioning of Romania, and branches of credit institutions of foreign legal persons. On 29 March 2019, the Romanian Government issued the Emergency Ordinance 19/2019 ("OUG 19/2019") which substantially change the OUG 114. The tax is calculated and paid half-yearly and if some conditions are met (loan growth, interest margin) the tax payment may be adjusted/excepted. In June 2019, no tax had to be paid because the threshold for loan growth was met. As at 31 December 2019, the tax was computed and an accrual of RON 52 mil was booked. Given the fact that BCR has a market share greater than 15% the applicable tax rate is 0.4%. As the loan growth condition was met also in December, 0.2% was applied in tax calculation. The tax will be paid respecting the legal deadline of 25th August.

(vi) Includes sundry expenses: litigations, penalties, inventory impairment.

14. Taxes on income

Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes, and the change in deferred taxes.

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Current tax expense/income	**(273,650)**	**(228,034)**	**(261,143)**	**(227,407)**
Current period	(230,580)	(286,928)	(218,073)	(267,564)
Prior period	(43,070)	58,894	(43,070)	40,157
Deferred tax expense/income	**(28,845)**	**1,815**	**(26,511)**	**7,299**
Current period	(28,845)	1,815	(26,511)	7,299
Taxes on income	**(302,495)**	**(226,219)**	**(287,654)**	**(220,108)**

The following table reconciles the income taxes reported in the income statement to the pre-tax profit/loss multiplied by the nominal Romanian tax rate.

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Pre-tax profit/(loss)	**895,761**	**1,428,482**	**939,563**	**1,190,555**
Income tax expense for the financial year at the domestic statutory tax rate (16%)	(143,322)	(228,557)	(150,330)	(190,489)
Impact of tax-exempt earnings of investments and other tax-exempt income	234,825	238,660	215,796	193,032
Tax increases due to non-deductible expenses and similar elements	(384,534)	(310,919)	(343,637)	(278,655)
Impact of other elements	33,606	15,703	33,587	15,847
Tax expense not atributable to the reporting period	(43,070)	58,894	(43,070)	40,157
Income tax (expense) / release reported in the income statement	**(302,495)**	**(226,219)**	**(287,654)**	**(220,108)**
The effective tax rate	**33.77%**	**15.84%**	**30.62%**	**18.49%**

Note: Impact of other elements include VAT split effect, sponsorship and tax exemption for reinvested profit.

The main element similar to expenses represents the deduction of fiscal depreciation and the deduction of losses from selling of the fixed assets. The main element similar to revenues, considered by the Bank is in relation to the taxation of selling of the receivables.

The variation of income tax between 2018 and 2019 was mainly due to the following:

- The decrease of the accounting result mainly due to recording of the impairment for the investment in BPL subsidiary following the decision of the Court of Justice, expense which is non-deductible such causing the increase of income tax and effective tax rate;
- The additional fiscal from the application of the newly introduced fiscal provision which changed the tax treatment applicable to assignment of receivables transactions from full deductibility granted in previous periods for the negative difference between the price obtained and the contractual value of the receivable sold, to a partial deductibility of only 30% of this difference, starting with 2019.

The amount of RON 43,070 thousands represents withholding tax on non-residents' income obtained from Romania. Details are presented in Note 46.

The following table shows the income tax effects relating to each component of other comprehensive income:

						Group
	2019			2018		
in RON thousands	**Before-tax amount**	**Tax benefit/ (expense)**	**Net-of-tax amount**	**Before-tax amount**	**Tax benefit/ (expense)**	**Net-of-tax amount**
Fair value reserve	61,977	(9,910)	52,067	77,459	(11,786)	65,673
Remeasurement of net gain/ (losses) on benefit plans	80,655	(12,905)	67,750	82,825	(13,252)	69,573
Currency translation reserve of foreign subsidiary	(9,419)	-	(9,419)	(13,732)	-	(13,732)
Other comprehensive income	**133,213**	**(22,815)**	**110,398**	**146,552**	**(25,038)**	**121,514**

						Bank
	2019			2018		
in RON thousands	**Before-tax amount**	**Tax benefit/ (expense)**	**Net-of-tax amount**	**Before-tax amount**	**Tax benefit/ (expense)**	**Net-of-tax amount**
Fair value reserve	61,881	(9,900)	51,981	75,909	(11,789)	64,120
Remeasurement of net gain/ (losses) on benefit plans	80,749	(12,920)	67,829	82,883	(13,261)	69,622
Other comprehensive income	**142,630**	**(22,820)**	**119,810**	**158,792**	**(25,050)**	**133,742**

15. Dividends paid

During 2019, dividends in amount of RON 485,117 thousand were paid (2018: RON 228,063 thousand), out of which RON 484,630 thousand to equity holders of the parent (2018: RON 213,476 thousand) and RON 487 thousand to non-controlling interests (2018: RON 14,587 thousand). Difference up to RON 485,286 thousand represents dividends distributed bot not yet paid. Dividend paid per share was RON 0.02985 in 2019 (2018: RON 0.01403).

16. Cash and cash balances

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Cash on hand	4,358,613	5,646,233	4,330,409	5,627,632
Cash balances with the central bank (other than mandatory reserve deposits)	140,030	165,486	646	-
Mandatory cash balances with central banks (i)	4,030,612	5,109,422	3,997,510	5,088,432
Correspondent accounts and overnight placements with other banks	436,457	202,050	355,600	146,788
Overnight reverse sale and repurchase agreements with other banks	40,806	-	40,806	-
Cash and cash balances	**9,006,518**	**11,123,191**	**8,724,971**	**10,862,852**

(i) The current accounts held by the Bank with National Bank of Romania ensure the compliance with minimum mandatory reserves requirements of National Bank. Mandatory reserve rates at the end of 2019 were for RON 8% (December 2018: 8%) and for foreign currencies 8% (December 2018: 8%) both with residual maturity of less than 2 years from the end of the reporting period and for debts with a residual maturity of more than 2 years with the repayment, transfer and early withdrawal clauses, respectively 0% for the other debts included in the calculation base. All cash and cash equivalents are in Stage 1, for more details please see Note 42.5.

Starting with 24 February 2020, the mandatory reserve rate for EUR is 6%.

17. Derivatives

Group

	2019			2018		
	Notional	Fair value		Notional	Fair value	
in RON thousands	**amount**	**Positive**	**Negative**	**amount**	**Positive**	**Negative**
Derivatives held in Trading book	**8,455,551**	**38,804**	**42,477**	**6,669,085**	**19,903**	**21,728**
Interest rate instruments and related derivatives	5,812,041	34,649	36,047	5,429,485	17,578	19,252
Foreign exchange trading and related derivatives	2,643,510	4,155	6,430	1,239,600	2,325	2,476
Derivatives held in Banking Book	**2,066,395**	**1,296**	**31,021**	**2,423,175**	**11,159**	**11,260**
Interest rate instruments and related derivatives	53,297	1,236	136	231,188	9,183	589
Equity instruments and related derivatives	66,910	-	-	93,278	-	-
Foreign exchange trading and related derivatives	1,946,188	60	30,885	2,098,709	1,976	10,671
Total	**10,521,946**	**40,100**	**73,498**	**9,092,260**	**31,062**	**32,988**

Bank

	2019			2018		
	Notional	Fair value		Notional	Fair value	
in RON thousands	**amount**	**Positive**	**Negative**	**amount**	**Positive**	**Negative**
Derivatives held in Trading book	**8,455,551**	**38,804**	**42,477**	**6,743,241**	**20,030**	**21,728**
Interest rate instruments and related derivatives	5,812,041	34,649	36,047	5,429,485	17,578	19,252
Foreign exchange trading and related derivatives	2,643,510	4,155	6,430	1,313,756	2,452	2,476
Derivatives held in Banking Book	**2,066,395**	**1,296**	**31,021**	**2,423,175**	**11,159**	**11,260**
Interest rate instruments and related derivatives	53,297	1,236	136	231,188	9,183	589
Equity instruments and related derivatives	66,910	-	-	93,278	-	-
Foreign exchange trading and related derivatives	1,946,188	60	30,885	2,098,709	1,976	10,671
Total	**10,521,946**	**40,100**	**73,498**	**9,166,416**	**31,189**	**32,988**

Trading book portfolio increased in 2019 versus 2018 due to new trades.

18. Other financial assets held for trading

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Debt securities	389,256	182,903	389,256	182,903
General governments (i)	389,256	182,903	389,256	182,903
Other financial assets held for trading	**389,256**	**182,903**	**389,256**	**182,903**

(i) Debt securities include treasury bills and bonds denominated in RON. The amount significantly increased during 2019 due to investments in treasury bills and bonds, both issued by Ministry of Public Finance.

19. Non-trading financial assets mandatorily at fair value through profit or loss

	Group		Bank	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
in RON thousands	**Mandatorily at fair value**		**Mandatorily at fair value**	
Equity instruments	40,388	33,475	40,136	33,232
Debt securities	49,922	-	49,922	-
Other financial corporations	49,922		49,922	
Loans and advances to customers	3,562	5,920	3,562	5,920
Non-financial corporations (i)	3,562	5,920	3,562	5,920
Non-trading financial assets at fair value through profit or loss	**93,872**	**39,395**	**93,620**	**39,152**

(i) Loans and advances to customers include loans whose contractual cash flows are not considered as SPPI.

20. Financial assets at fair value through other comprehensive income

									31.12.2019	Group
in RON thousands	**Gross carrying amount**				**Credit loss allowances**				**Accumulated other fair value changes**	**Carrying amount**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**		
Debt securities	**6,053,973**	**5,213**	**-**	**6,059,186**	**(2,670)**	**(649)**	**-**	**(3,319)**	**58,658**	**6,117,844**
General governments	6,053,973	-	-	6,053,973	(2,670)	-	-	(2,670)	57,737	6,111,710
Non-financial corporations	-	5,213	-	5,213	-	(649)	-	(649)	921	6,134
Total	**6,053,973**	**5,213**	**-**	**6,059,186**	**(2,670)**	**(649)**	**-**	**(3,319)**	**58,658**	**6,117,844**

									31.12.2018	Group
in RON thousands	**Gross carrying amount**				**Credit loss allowances**				**Accumulated other fair value changes**	**Carrying amount**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**		
Debt securities	**5,124,698**	**-**	**-**	**5,124,698**	**(3,789)**	**-**	**-**	**(3,789)**	**56,662**	**5,181,360**
Central banks	21,490	-	-	21,490	(960)	-	-	(960)	-	21,490
General governments	5,098,203	-	-	5,098,203	(2,775)	-	-	(2,775)	55,650	5,153,853
Non-financial corporations	5,005	-	-	5,005	(54)	-	-	(54)	1,012	6,017
Total	**5,124,698**	**-**	**-**	**5,124,698**	**(3,789)**	**-**	**-**	**(3,789)**	**56,662**	**5,181,360**

Allowances for financial assets at fair value through other comprehensive income — 31.12.2019 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(3,789)**	**(3,270)**	**698**	**3,675**	**54**	**-**	**-**	**(38)**	**(2,670)**
Central banks	(960)	(2,150)	-	3,120	-	-	-	(10)	-
General governments	(2,775)	(1,120)	698	555	-	-	-	(28)	(2,670)
Non-financial corporations	(54)	-	-	-	54	-	-	-	-
Stage 2	**-**	**-**	**-**	**-**	**(649)**	**-**	**-**	**-**	**(649)**
Non-financial corporations	-	-	-	-	(649)	-	-	-	(649)
Total	**(3,789)**	**(3,270)**	**698**	**3,675**	**(595)**	**-**	**-**	**(38)**	**(3,319)**

20. Financial assets at fair value through other comprehensive income (*continued*)

Allowances for financial assets at fair value through other comprehensive income — 31.12.2018 — Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(2,683)**	**(2,659)**	**842**	**-**	**-**	**775**	**-**	**(64)**	**(3,789)**
Central banks	-	(943)	-	-	-	-	-	(17)	(960)
General governments	(2,683)	(1,662)	842	-	-	775	-	(47)	(2,775)
Non-financial corporations	-	(54)	-	-	-	-	-	-	(54)
Total	**(2,683)**	**(2,659)**	**842**	**-**	**-**	**775**	**-**	**(64)**	**(3,789)**

31.12.2019 — Bank

in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**6,052,040**	**5,213**	**-**	**6,057,253**	**(2,583)**	**(649)**	**-**	**(3,232)**	**58,649**	**6,115,902**
General governments	6,052,040	-	-	6,052,040	(2,583)	-	-	(2,583)	57,728	6,109,768
Non-financial corporations	-	5,213	-	5,213	-	(649)	-	(649)	921	6,134
Total	**6,052,040**	**5,213**	**-**	**6,057,253**	**(2,583)**	**(649)**	**-**	**(3,232)**	**58,649**	**6,115,902**

31.12.2018 — Bank

in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**5,089,620**	**-**	**-**	**5,089,620**	**(2,223)**	**-**	**-**	**(2,223)**	**56,678**	**5,146,298**
General governments	5,084,615	-	-	5,084,615	(2,169)	-	-	(2,169)	55,666	5,140,281
Non-financial corporations	5,005	-	-	5,005	(54)	-	-	(54)	1,012	6,017
Total	**5,089,620**	**-**	**-**	**5,089,620**	**(2,223)**	**-**	**-**	**(2,223)**	**56,678**	**5,146,298**

Allowances for financial assets at fair value through other comprehensive income — 31.12.2019 — Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(2,223)**	**(1,032)**	**698**	**(60)**	**54**	**-**	**-**	**(20)**	**(2,583)**
General governments	(2,169)	(1,032)	698	(60)	-	-	-	(20)	(2,583)
Non-financial corporations	(54)	-	-	-	54	-	-	-	-
Stage 2	**-**	**-**	**-**	**-**	**(649)**	**-**	**-**	**-**	**(649)**
Non-financial corporations	-	-	-	-	(649)	-	-	-	(649)
Total	**(2,223)**	**(1,032)**	**698**	**(60)**	**(595)**	**-**	**-**	**(20)**	**(3,232)**

Allowances for financial assets at fair value through other comprehensive income — 31.12.2018 — Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(1,450)**	**(1,122)**	**842**	**-**	**-**	**(491)**	**-**	**(2)**	**(2,223)**
General governments	(1,450)	(1,068)	842	-	-	(491)	-	(2)	(2,169)
Non-financial corporations	-	(54)	-	-	-	-	-	-	(54)
Total	**(1,450)**	**(1,122)**	**842**	**-**	**-**	**(491)**	**-**	**(2)**	**(2,223)**

During 2018, the Bank has sold the participations in Visa A shares and Mastercard. The fair value at the date of derecognition (sale) of these shares was RON 233,810 thousands. The dividends received during 2018 related to derecognized investments were RON 691 thousands.

The year-end total gross carrying amount of FVOCI debt securities that were initially recognized (purchased) during the year 2019 and not fully derecognized by 31 December 2019 amounts to RON 951,684 thousands (2018: RON 1,075,519 thousands) at Group level, RON 685,853 thousands (2018: RON 1,531,251 thousands) at Bank level. The gross carrying amount of FVOCI debt securities that were held at 1 January 2019 and derecognized during the year 2019 amounts to RON 722,624 thousand at Group level (2018: RON 1,531,251 thousand), RON 1,807,790 thousands (2018: RON 1,695,723 thousands) at Bank level.

21. Securities

Group

in RON thousands	2019 Financial Assets				2018 Financial Assets			
	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Bonds and other interest-bearing securities	**15,735,188**	**389,256**	**49,922**	**6,117,844**	**15,879,108**	**182,903**	**-**	**5,181,360**
Listed	15,628,611	389,256	-	4,918,214	15,822,264	59,776	-	3,644,017
Unlisted	106,577	-	49,922	1,199,630	56,844	123,127	-	1,537,343
Equity related securities	**-**	**-**	**40,388**	**-**	**-**	**-**	**33,475**	**40,721**
Listed	-	-	4,324	-	-	-	3,025	-
Unlisted	-	-	36,064	-	-	-	30,450	40,721
Total	**15,735,188**	**389,256**	**90,310**	**6,117,844**	**15,879,108**	**182,903**	**33,475**	**5,222,081**

Bank

in RON thousands	2019 Financial Assets				2018 Financial Assets			
	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Trading financial assets	Financial assets mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Bonds and other interest-bearing securities	**14,422,788**	**389,256**	**49,922**	**6,115,902**	**14,297,905**	**182,903**	**-**	**5,146,298**
Listed	14,422,788	389,256	-	4,918,214	14,297,905	59,776	-	3,644,017
Unlisted	-	-	49,922	1,197,688	-	123,127	-	1,502,281
Equity related securities	**-**	**-**	**40,136**	**-**	**-**	**-**	**33,232**	**40,721**
Listed	-	-	4,324	-	-	-	3,025	-
Unlisted	-	-	35,812	-	-	-	30,207	40,721
Total	**14,422,788**	**389,256**	**90,058**	**6,115,902**	**14,297,905**	**182,903**	**33,232**	**5,187,019**

22. Financial assets at amortised cost

31.12.2019 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**15,633,901**	**112,640**	**2,028**	**-**	**15,748,569**	**(11,698)**	**(1,074)**	**(609)**	**-**	**(13,381)**	**15,735,188**
Central banks	62,006	-	-	-	62,006	(2,767)	-	-	-	(2,767)	59,239
General governments	15,520,184	112,640	2,028	-	15,634,852	(8,927)	(1,074)	(609)	-	(10,610)	15,624,242
Credit institutions	51,711	-	-	-	51,711	(4)	-	-	-	(4)	51,707
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	**661,200**	**959**	**-**	**-**	**662,159**	**(710)**	**(12)**	**-**	**-**	**(722)**	**661,437**
Central banks	171	-	-	-	171	-	-	-	-	-	171
Credit institutions	661,029	959	-	-	661,988	(710)	(12)	-	-	(722)	661,266
Loans and advances to customers	**32,622,566**	**5,973,181**	**1,314,951**	**457,639**	**40,368,337**	**(159,624)**	**(573,869)**	**(998,286)**	**(134,102)**	**(1,865,881)**	**38,502,456**
General governments	2,227,329	678,243	11,484	19,039	2,936,095	(2,978)	(10,076)	(9,007)	(5,389)	(27,450)	2,908,645
Other financial corporations	173,540	382	11,714	-	185,636	(822)	(91)	(9,204)	-	(10,117)	175,519
Non-financial corporations	9,796,985	2,609,608	449,617	171,901	13,028,111	(105,635)	(286,301)	(337,126)	(32,583)	(761,645)	12,266,466
Households	20,424,712	2,684,948	842,136	266,699	24,218,495	(50,189)	(277,401)	(642,949)	(96,130)	(1,066,669)	23,151,826
Total	**48,917,667**	**6,086,780**	**1,316,979**	**457,639**	**56,779,065**	**(172,032)**	**(574,955)**	**(998,895)**	**(134,102)**	**(1,879,984)**	**54,899,081**

31.12.2018 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**15,802,370**	**86,578**	**2,374**	**-**	**15,891,322**	**(9,596)**	**(1,025)**	**(1,593)**	**-**	**(12,214)**	**15,879,108**
Central banks	-	-	-	-	-	-	-	-	-	-	-
General governments	15,802,370	86,578	2,374	-	15,891,322	(9,596)	(1,025)	(1,593)	-	(12,214)	15,879,108
Credit institutions	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	**124,123**	**-**	**-**	**-**	**124,123**	**(283)**	**-**	**-**	**-**	**(283)**	**123,840**
Central banks	510	-	-	-	510	-	-	-	-	-	510
Credit institutions	123,613	-	-	-	123,613	(283)	-	-	-	(283)	123,330
Loans and advances to customers	**30,897,939**	**3,820,603**	**1,600,067**	**592,741**	**36,911,350**	**(123,855)**	**(450,029)**	**(1,283,665)**	**(213,530)**	**(2,071,079)**	**34,840,271**
General governments	1,879,753	918,712	11,020	14,912	2,824,397	(2,297)	(38,058)	(8,783)	(485)	(49,623)	2,774,774
Other financial corporations	156,886	19	17,986	-	174,891	(896)	-	(12,745)	-	(13,641)	161,250
Non-financial corporations	8,649,694	1,651,253	676,176	291,980	11,269,103	(76,474)	(238,381)	(514,926)	(61,202)	(890,983)	10,378,120
Households	20,211,606	1,250,619	894,885	285,849	22,642,959	(44,188)	(173,590)	(747,211)	(151,843)	(1,116,832)	21,526,127
Total	**46,824,432**	**3,907,181**	**1,602,441**	**592,741**	**52,926,795**	**(133,734)**	**(451,054)**	**(1,285,258)**	**(213,530)**	**(2,083,576)**	**50,843,219**

22. Financial assets at amortised cost *(continued)*

31.12.2019 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**14,316,140**	**112,506**	**2,028**	**-**	**14,430,674**	**(6,210)**	**(1,067)**	**(609)**	**-**	**(7,886)**	**14,422,788**
General governments	14,264,429	112,506	2,028	-	14,378,963	(6,207)	(1,067)	(609)	-	(7,883)	14,371,080
Credit institutions	51,711	-	-	-	51,711	(3)	-	-	-	(3)	51,708
Loans and advances to banks	**659,880**	**2,069**	**66,647**	**-**	**728,596**	**(774)**	**(89)**	**(66,647)**	**-**	**(67,510)**	**661,086**
Central banks	171	-	-	-	171	-	-	-	-	-	171
Credit institutions	659,709	2,069	66,647	-	728,425	(774)	(89)	(66,647)	-	(67,510)	660,915
Loans and advances to customers	**32,056,688**	**5,973,090**	**1,237,862**	**457,639**	**39,725,279**	**(146,822)**	**(571,654)**	**(937,262)**	**(134,102)**	**(1,789,840)**	**37,935,439**
General governments	2,227,329	678,243	11,484	19,039	2,936,095	(2,978)	(10,076)	(9,007)	(5,389)	(27,450)	2,908,645
Other financial corporations	684,920	382	11,713	-	697,015	(1,545)	(91)	(9,203)	-	(10,839)	686,176
Non-financial corporations	8,955,682	2,613,176	419,872	171,901	12,160,631	(92,947)	(284,446)	(321,301)	(32,583)	(731,277)	11,429,354
Households	20,188,757	2,681,289	794,793	266,699	23,931,538	(49,352)	(277,041)	(597,751)	(96,130)	(1,020,274)	22,911,264
Total	**47,032,708**	**6,087,665**	**1,306,537**	**457,639**	**54,884,549**	**(153,806)**	**(572,810)**	**(1,004,518)**	**(134,102)**	**(1,865,236)**	**53,019,313**

31.12.2018 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**14,217,864**	**86,575**	**2,374**	**-**	**14,306,813**	**(6,290)**	**(1,025)**	**(1,593)**	**-**	**(8,908)**	**14,297,905**
General governments	14,217,864	86,575	2,374	-	14,306,813	(6,290)	(1,025)	(1,593)	-	(8,908)	14,297,905
Loans and advances to banks	**364,221**	**27,590**	**-**	**-**	**391,811**	**(1,598)**	**(1,365)**	**-**	**-**	**(2,963)**	**388,848**
Central banks	510	-	-	-	510	-	-	-	-	-	510
Credit institutions	363,711	27,590	-	-	391,301	(1,598)	(1,365)	-	-	(2,963)	388,338
Loans and advances to customers	**30,189,068**	**3,739,743**	**1,505,154**	**592,710**	**36,026,675**	**(117,897)**	**(447,583)**	**(1,201,882)**	**(213,498)**	**(1,980,860)**	**34,045,815**
General governments	1,879,751	918,712	11,020	14,912	2,824,395	(2,297)	(38,058)	(8,783)	(485)	(49,623)	2,774,772
Other financial corporations	418,470	4	17,986	-	436,460	(1,390)	-	(12,745)	-	(14,135)	422,325
Non-financial corporations	7,918,371	1,574,387	646,113	291,980	10,430,851	(70,740)	(236,063)	(496,006)	(61,202)	(864,011)	9,566,840
Households	19,972,476	1,246,640	830,035	285,818	22,334,969	(43,470)	(173,462)	(684,348)	(151,811)	(1,053,091)	21,281,878
Total	**44,771,153**	**3,853,908**	**1,507,528**	**592,710**	**50,725,299**	**(125,785)**	**(449,973)**	**(1,203,475)**	**(213,498)**	**(1,992,731)**	**48,732,568**

The movements in allowances for financial assets at amortised cost – debt securities are presented below:

31.12.2019 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(9,596)**	**(8,629)**	**995**	**5,726**	**-**	**-**	**-**	**(194)**	**(11,698)**
Central banks	-	(4,846)	-	2,155	-	-	-	(76)	(2,767)
General governments	(9,596)	(3,773)	995	3,565	-	-	-	(118)	(8,927)
Credit institutions	-	(10)	-	6	-	-	-	-	(4)
Stage 2	**(1,025)**	**-**	**-**	**233**	**(282)**	**-**	**-**	**-**	**(1,074)**
General governments	(1,025)	-	-	233	(282)	-	-	-	(1,074)
Stage 3	**(1,593)**	**-**	**-**	**984**	**-**	**-**	**-**	**-**	**(609)**
General governments	(1,593)	-	-	984	-	-	-	-	(609)
Total	**(12,214)**	**(8,629)**	**995**	**6,943**	**(282)**	**-**	**-**	**(194)**	**(13,381)**

31.12.2018 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(6,644)**	**(2,842)**	**295**	**265**	**45**	**-**	**-**	**(715)**	**(9,596)**
Central banks	(610)	-	-	610	-	-	-	-	-
General governments	(6,034)	(2,842)	295	(345)	45	-	-	(715)	(9,596)
Stage 2	**(1,245)**	**-**	**-**	**583**	**(365)**	**-**	**-**	**2**	**(1,025)**
General governments	(1,245)	-	-	583	(365)	-	-	2	(1,025)
Stage 3	**(1,493)**	**-**	**-**	**(100)**	**-**	**-**	**-**	**-**	**(1,593)**
General governments	(1,493)	-	-	(100)	-	-	-	-	(1,593)
Total	**(9,382)**	**(2,842)**	**295**	**748**	**(320)**	**-**	**-**	**(713)**	**(12,214)**

22. Financial assets at amortised cost *(continued)*

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-) 31.12.2019	Closing balance Bank
Debt securities									
Stage 1	**(6,290)**	**(1,492)**	**995**	**607**	**-**	**-**	**-**	**(30)**	**(6,210)**
General governments	(6,290)	(1,482)	995	600	-	-	-	(30)	(6,207)
Credit institutions	-	(10)	-	7	-	-	-	-	(3)
Stage 2	**(1,025)**	**-**	**-**	**240**	**(282)**	**-**	**-**	**-**	**(1,067)**
General governments	(1,025)	-	-	240	(282)	-	-	-	(1,067)
Stage 3	**(1,593)**	**-**	**-**	**984**	**-**	**-**	**-**	**-**	**(609)**
General governments	(1,593)	-	-	984	-	-	-	-	(609)
Total	**(8,908)**	**(1,492)**	**995**	**1,831**	**(282)**	**-**	**-**	**(30)**	**(7,886)**

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-) 31.12.2018	Closing balance Bank
Debt securities									
Stage 1	**(4,132)**	**(309)**	**295**	**(2,186)**	**44**	**-**	**-**	**(2)**	**(6,290)**
General governments	(4,132)	(309)	295	(2,186)	44	-	-	(2)	(6,290)
Stage 2	**(1,241)**	**-**	**-**	**581**	**(365)**	**-**	**-**	**-**	**(1,025)**
General governments	(1,241)	-	-	581	(365)	-	-	-	(1,025)
Stage 3	**(1,493)**	**-**	**-**	**(100)**	**-**	**-**	**-**	**-**	**(1,593)**
General governments	(1,493)	-	-	(100)	-	-	-	-	(1,593)
Total	**(6,866)**	**(309)**	**295**	**(1,705)**	**(321)**	**-**	**-**	**(2)**	**(8,908)**

The movements in allowances for financial assets at amortised cost – loans and advances to banks are presented below:

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-) 31.12.2019	Closing balance Group
Loans and advances to banks									
Stage 1	**(283)**	**(3,284)**	**2,768**	**102**	**-**	**1**	**-**	**(14)**	**(710)**
Credit institutions	(283)	(3,284)	2,768	102	-	1	-	(14)	(710)
Stage 2	**-**	**(4)**	**92**	**(376)**	**-**	**318**	**-**	**(42)**	**(12)**
Credit institutions	-	(4)	92	(376)	-	318	-	(42)	(12)
Total	**(283)**	**(3,288)**	**2,860**	**(274)**	**-**	**319**	**-**	**(56)**	**(722)**

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-) 31.12.2018	Closing balance Group
Loans and advances to banks									
Stage 1	**(3,066)**	**(3,806)**	**5,389**	**(1,842)**	**2,163**	**4**	**-**	**875**	**(283)**
Central banks	(407)	-	-	(1)	419	-	-	(11)	-
Credit institutions	(2,659)	(3,806)	5,389	(1,841)	1,744	4	-	886	(283)
Total	**(3,066)**	**(3,806)**	**5,389**	**(1,842)**	**2,163**	**4**	**-**	**875**	**(283)**

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-) 31.12.2019	Closing balance Bank
Loans and advances to banks									
Stage 1	**(1,598)**	**(3,284)**	**2,768**	**1,354**	**-**	**-**	**-**	**(14)**	**(774)**
Credit institutions	(1,598)	(3,284)	2,768	1,354	-	-	-	(14)	(774)
Stage 2	**(1,365)**	**(4)**	**92**	**1,230**	**-**	**-**	**-**	**(42)**	**(89)**
Credit institutions	(1,365)	(4)	92	1,230	-	-	-	(42)	(89)
Stage 3	**-**	**(86,498)**	**271,946**	**(185,406)**	**(66,689)**	**-**	**-**	**-**	**(66,647)**
Credit institutions	-	(86,498)	271,946	(185,406)	(66,689)	-	-	-	(66,647)
Total	**(2,963)**	**(89,786)**	**274,806**	**(182,822)**	**(66,689)**	**-**	**-**	**(56)**	**(67,510)**

Note: The transfer between Stage 1 and Stage 3 for credit institution is related to exposure towards BPL (please see Note 46 for more details).

22. Financial assets at amortised cost *(continued)*

								31.12.2018	Bank
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks									
Stage 1	**(1,773)**	**(3,806)**	**5,389**	**(3,121)**	**1,744**	**4**	**-**	**(35)**	**(1,598)**
Credit institutions	(1,773)	(3,806)	5,389	(3,121)	1,744	4	-	(35)	(1,598)
Stage 2	**-**	**-**	**5**	**(1,376)**	**-**	**-**	**-**	**6**	**(1,365)**
Credit institutions	-	-	5	(1,376)	-	-	-	6	(1,365)
Total	**(1,773)**	**(3,806)**	**5,394**	**(4,497)**	**1,744**	**4**	**-**	**(29)**	**(2,963)**

The movements in allowances for financial assets at amortised cost – loans and advances to customers are presented below:

								31.12.2019	Group
in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs (5)	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to customers									
Stage 1	**(123,855)**	**(76,418)**	**39,022**	**(32,975)**	**36,946**	**(362)**	**107**	**(2,089)**	**(159,624)**
General governments	(2,297)	(143)	11	(612)	74	(4)	-	(7)	(2,978)
Other financial corporations	(896)	(405)	8	496	2	(16)	-	(11)	(822)
Non-financial corporations	(76,474)	(60,136)	35,787	(23,795)	19,937	(36)	-	(918)	(105,635)
Households	(44,188)	(15,734)	3,216	(9,064)	16,933	(306)	107	(1,153)	(50,189)
Stage 2	**(450,029)**	**(6,722)**	**30,878**	**400,675**	**(544,216)**	**2,019**	**179**	**(6,653)**	**(573,869)**
General governments	(38,058)	-	24	28,545	(513)	11	-	(85)	(10,076)
Other financial corporations	-	-	-	-	(91)	-	-	-	(91)
Non-financial corporations	(238,381)	(6,165)	20,584	95,690	(153,133)	(273)	-	(4,623)	(286,301)
Households	(173,590)	(557)	10,270	276,440	(390,479)	2,281	179	(1,945)	(277,401)
Stage 3	**(1,283,665)**	**(1,274)**	**295,364**	**(91,122)**	**(145,410)**	**(1,651)**	**245,240**	**(15,768)**	**(998,286)**
General governments	(8,783)	-	10	1,445	(1,685)	6	-	-	(9,007)
Other financial corporations	(12,745)	-	-	(2,669)	-	5	6,499	(294)	(9,204)
Non-financial corporations	(514,926)	(64)	48,833	28,741	(22,583)	(735)	128,895	(5,287)	(337,126)
Households	(747,211)	(1,210)	246,521	(118,639)	(121,142)	(927)	109,846	(10,187)	(642,949)
POCI	**(213,530)**	**-**	**32,882**	**38,842**	**-**	**(17,308)**	**29,360**	**(4,348)**	**(134,102)**
General governments	(485)	-	69	4,058	-	(239)	-	(8,792)	(5,389)
Non-financial corporations	(61,202)	-	14,063	19,796	-	(14,350)	1,869	7,241	(32,583)
Households	(151,843)	-	18,750	14,988	-	(2,719)	27,491	(2,797)	(96,130)
Total	**(2,071,079)**	**(84,414)**	**398,146**	**315,420**	**(652,680)**	**(17,302)**	**274,886**	**(28,858)**	**(1,865,881)**

								31.12.2018	Group
in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs (5)	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to customers									
Stage 1	**(126,872)**	**(63,669)**	**26,390**	**12,018**	**27,993**	**298**	**-**	**(13)**	**(123,855)**
General governments	(1,878)	(645)	132	(326)	422	(2)	-	-	(2,297)
Other financial corporations	(648)	(48)	87	(287)	-	-	-	-	(896)
Non-financial corporations	(74,560)	(36,997)	22,675	(5,927)	17,970	321	-	44	(76,474)
Households	(49,786)	(25,979)	3,496	18,558	9,601	(21)	-	(57)	(44,188)
Stage 2	**(474,531)**	**(2,771)**	**87,923**	**(45,565)**	**(15,527)**	**1,067**	**-**	**(625)**	**(450,029)**
General governments	(85,479)	-	38,359	9,354	(129)	(163)	-	-	(38,058)
Other financial corporations	(2)	-	2	-	-	-	-	-	-
Non-financial corporations	(197,061)	(1,979)	38,977	(70,836)	(7,754)	729	-	(457)	(238,381)
Households	(191,989)	(792)	10,585	15,917	(7,644)	501	-	(168)	(173,590)
Stage 3	**(1,526,590)**	**(1,651)**	**277,197**	**(318,183)**	**(1,392)**	**(1,700)**	**290,337**	**(1,683)**	**(1,283,665)**
General governments	(4,788)	-	683	(4,652)	-	(26)	-	-	(8,783)
Other financial corporations	(15,304)	-	3	2,570	-	-	-	(14)	(12,745)
Non-financial corporations	(689,750)	(426)	188,180	(190,454)	(399)	(160)	179,267	(1,184)	(514,926)
Households	(816,748)	(1,225)	88,331	(125,647)	(993)	(1,514)	111,070	(485)	(747,211)
POCI	**(283,203)**	**-**	**93,667**	**(58,515)**	**-**	**3,268**	**33,034**	**(1,781)**	**(213,530)**
General governments	(2,041)	-	-	1,556	-	-	-	-	(485)
Non-financial corporations	(97,920)	-	83,963	(47,416)	-	70	1,690	(1,589)	(61,202)
Households	(183,242)	-	9,704	(12,655)	-	3,198	31,344	(192)	(151,843)
Total	**(2,411,196)**	**(68,091)**	**485,177**	**(410,245)**	**11,074**	**2,933**	**323,371**	**(4,102)**	**(2,071,079)**

22. Financial assets at amortised cost *(continued)*

in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs (5)	Exchange-rate and other changes (+/-)	Closing balance
								31.12.2019	Bank
Loans and advances to customers									
Stage 1	**(117,897)**	**(69,908)**	**38,905**	**(31,973)**	**36,394**	**(394)**	**107**	**(2,056)**	**(146,822)**
General governments	(2,297)	(143)	11	(612)	74	(4)	-	(7)	(2,978)
Other financial corporations	(1,390)	(391)	8	253	2	(16)	-	(11)	(1,545)
Non-financial corporations	(70,740)	(53,801)	35,773	(22,763)	19,600	(36)	-	(980)	(92,947)
Households	(43,470)	(15,573)	3,113	(8,851)	16,718	(338)	107	(1,058)	(49,352)
Stage 2	**(447,583)**	**(6,722)**	**30,872**	**398,598**	**(542,497)**	**2,014**	**179**	**(6,515)**	**(571,654)**
General governments	(38,058)	-	24	28,545	(513)	11	-	(85)	(10,076)
Other financial corporations	-	-	-	-	(91)	-	-	-	(91)
Non-financial corporations	(236,063)	(6,165)	20,583	93,638	(151,678)	(274)	-	(4,487)	(284,446)
Households	(173,462)	(557)	10,265	276,415	(390,215)	2,277	179	(1,943)	(277,041)
Stage 3	**(1,201,882)**	**(1,274)**	**295,134**	**(105,244)**	**(140,185)**	**(1,665)**	**233,156**	**(15,302)**	**(937,262)**
General governments	(8,783)	-	10	1,445	(1,685)	6	-	-	(9,007)
Other financial corporations	(12,745)	-	-	(2,668)	-	5	6,499	(294)	(9,203)
Non-financial corporations	(496,006)	(64)	48,833	23,292	(18,111)	(735)	126,236	(4,746)	(321,301)
Households	(684,348)	(1,210)	246,291	(127,313)	(120,389)	(941)	100,421	(10,262)	(597,751)
POCI	**(213,498)**	**-**	**32,882**	**38,810**	**-**	**(17,308)**	**29,360**	**(4,348)**	**(134,102)**
General governments	(485)	-	69	4,058	-	(239)	-	(8,792)	(5,389)
Non-financial corporations	(61,202)	-	14,063	19,796	-	(14,350)	1,869	7,241	(32,583)
Households	(151,811)	-	18,750	14,956	-	(2,719)	27,491	(2,797)	(96,130)
Total	**(1,980,860)**	**(77,904)**	**397,793**	**300,191**	**(646,288)**	**(17,353)**	**262,802**	**(28,221)**	**(1,789,840)**

in RON thousands	Opening balance	Increases due to origination and acquisition (1)	Decreases due to derecognition (2)	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3 (3)	Net changes due to modifications without derecognition (4)	Decrease in allowance account due to write-offs (5)	Exchange-rate and other changes (+/-)	Closing balance
								31.12.2018	Bank
Loans and advances to customers									
Stage 1	**(118,779)**	**(56,761)**	**26,386**	**6,869**	**24,391**	**159**	**-**	**(162)**	**(117,897)**
General governments	(1,878)	(645)	132	(326)	422	(2)	-	-	(2,297)
Other financial corporations	(644)	(43)	87	(790)	-	-	-	-	(1,390)
Non-financial corporations	(67,181)	(30,516)	22,671	(10,346)	14,453	321	-	(142)	(70,740)
Households	(49,076)	(25,557)	3,496	18,331	9,516	(160)	-	(20)	(43,470)
Stage 2	**(473,009)**	**(2,572)**	**87,921**	**(49,873)**	**(10,771)**	**1,064**	**-**	**(343)**	**(447,583)**
General governments	(85,479)	-	38,359	9,354	(129)	(163)	-	-	(38,058)
Non-financial corporations	(195,831)	(1,781)	38,977	(74,944)	(3,059)	729	-	(154)	(236,063)
Households	(191,699)	(791)	10,585	15,717	(7,583)	498	-	(189)	(173,462)
Stage 3	**(1,396,909)**	**(1,518)**	**277,197**	**(319,389)**	**(514)**	**(1,895)**	**242,698**	**(1,552)**	**(1,201,882)**
General governments	(4,788)	-	683	(4,652)	-	(26)	-	-	(8,783)
Other financial corporations	(15,304)	-	3	2,570	(1)	-	-	(13)	(12,745)
Non-financial corporations	(654,938)	(426)	188,180	(184,935)	(2)	(159)	157,360	(1,086)	(496,006)
Households	(721,879)	(1,092)	88,331	(132,372)	(511)	(1,710)	85,338	(453)	(684,348)
POCI	**(283,182)**	**-**	**93,667**	**(58,504)**	**-**	**3,268**	**33,034**	**(1,781)**	**(213,498)**
General governments	(2,041)	-	-	1,556	-	-	-	-	(485)
Non-financial corporations	(97,920)	-	83,963	(47,416)	-	70	1,690	(1,589)	(61,202)
Households	(183,221)	-	9,704	(12,644)	-	3,198	31,344	(192)	(151,811)
Total	**(2,271,879)**	**(60,851)**	**485,171**	**(420,897)**	**13,106**	**2,596**	**275,732**	**(3,838)**	**(1,980,860)**

(1) Increases of CLA due to the initial recognition of loans and advances to customers at AC during the current reporting period are disclosed.
(2) Releases of CLA following the derecognition of the related loans and advances to customers at AC are reported.
(3) Changes in credit risk that triggered re-assignments of the related AC loans and advances to customers from Stage 1 at 1 January 2019 (or initial recognition date, if later) to Stages 2 or 3 at 31 December 2019 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse (incremental year-on-year allocations) and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable (incremental year-on-year releases) and presented in the line 'Stage 1'.
(4) Reflects the effect on CLA arising from contractual modifications of loans and advances to customers at AC which do not trigger their full derecognition.
(5) The use of CLA triggered by full or partial write-offs of AC loans and advances to customers is reported in columns 'Write-offs'.

The movement in allowances presented above includes the elements presented in Note 12, and other items which do not impact the net impairment loss line, such as usages of allowances due to write/offs, sales, the unwinding correction effect and the foreign exchange revaluation.

22. Financial assets at amortised cost *(continued)*

Transfers between impairment stages (gross exposures) for loans and advances to customers are presented below:

							31.12.2019	Group
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
in RON thousands	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
General governments	62,012	219,528	-	1,866	2,847	-	-	-
Other financial corporations	378	34,082	2	-	-	-	-	-
Non-financial corporations	1,669,042	423,624	34,172	1,099	29,520	-	-	-
Households	1,993,607	242,406	141,834	12,150	169,684	19,057	169	-
Total	**3,725,039**	**919,640**	**176,008**	**15,115**	**202,051**	**19,057**	**169**	**-**

							31.12.2018	Group
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
in RON thousands	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
General governments	466,713	128,110	6,660	2,157	-	-	-	-
Other financial corporations	24	-	-	-	-	-	-	-
Non-financial corporations	807,882	238,171	113,109	1,674	73,384	113	-	65
Households	579,638	443,029	89,948	17,099	98,623	41,918	3,762	10,196
Total	**1,854,257**	**809,310**	**209,717**	**20,930**	**172,007**	**42,031**	**3,762**	**10,261**

							31.12.2019	Bank
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
in RON thousands	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
General governments	62,012	219,528	-	1,866	2,847	-	-	-
Other financial corporations	378	34,082	-	-	-	-	-	-
Non-financial corporations	1,645,691	406,564	30,212	933	22,124	-	-	-
Households	1,990,816	240,779	141,486	12,105	168,444	18,891	169	-
Total	**3,698,897**	**900,953**	**171,698**	**14,904**	**193,415**	**18,891**	**169**	**-**

							31.12.2018	Bank
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
in RON thousands	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
General governments	466,713	128,110	6,660	2,157	-	-	-	-
Non-financial corporations	712,130	208,485	104,265	873	69,700	39	-	65
Households	576,281	440,275	89,562	17,084	97,794	41,535	3,762	10,196
Total	**1,755,124**	**776,870**	**200,487**	**20,114**	**167,494**	**41,574**	**3,762**	**10,261**

The above transfers include stage changes against the opening of the financial year or initial recognition of the impairment stage.

The year-end total gross carrying amount of the AC loans and advances to customers that were initially recognized during the reporting period and not fully de-recognized by 31 December 2019 amounts to RON 8,955,632 thousands at Group level, RON 8,395,070 thousands for the Bank (2018:RON 10,766,738 thousands for the Group, for the Bank RON 10,203,498 thousands). The GCA of the AC loans and advances to customers that were held at 1 January 2019 and fully de-recognized during the reporting period amounts to RON 2,336,888 thousand at Group level, RON 2,289,072 thousands for the Bank (2018: RON 3,006,857 thousand for the Group, RON 2,992,358 thousands for the Bank).

In 2019 and 2018, the Group derecognized a part of non-performing loan portfolio, as follows:

				Group
in RON thousands	**31.12.2019**		**31.12.2018**	
Transfer of loans	**Gross carrying amount**	**Related allowance**	**Gross carrying amount**	**Related allowance**
Sale on balance loans	214,797	214,797	132,370	117,300
Write off on balance loans	314,165	286,893	378,738	338,754
Sales from previously writen off loans	12	12	59	59
Total exposure reduction from sale and write offs	**528,974**	**501,702**	**511,167**	**456,113**

				Bank
in RON thousands	**31.12.2019**		**31.12.2018**	
Transfer of loans	**Gross carrying amount**	**Related allowance**	**Gross carrying amount**	**Related allowance**
Sale on balance loans	214,797	214,797	132,370	117,300
Write off on balance loans	293,850	274,082	280,399	280,399
Sales from previously writen off loans	12	12	59	59
Total exposure reduction from sale and write offs	**508,659**	**488,891**	**412,828**	**397,758**

Note: The write-offs include also amounts presented in category “Trade and other receivables” and loans that do not meet the SPPI requirements.

22. Financial assets at amortised cost *(continued)*

During 2019, BCR Group has realized the following sales of non-performing loans portfolios:

- Retail loans in amount of RON equivalent 9,923 thousands (Mar-19)
- Retail loans in amount of RON equivalent 71,291 thousands (Jul-19)
- Retail loans in amount of RON equivalent 114,523 thousands (Oct-19)
- Retail loans in amount of RON equivalent 19,060 thousands (November and December 2019)

During 2018, BCR Group has realized four main sales of non-performing loans portfolios:

- Retail loans in amount of RON equivalent 65,570 thousands (Dec-18)
- Corporate loans in amount of RON equivalent 17,267 thousands (Apr-18)
- Corporate loans in amount of RON equivalent 21,293 thousands (Aug-18)
- Corporate loans in amount of RON equivalent 18,362 thousands (Dec-18)

The rest up to RON 132,429 thousands total sales represent individual corporate loans in amount of RON equivalent 9,880 thousands.

Total reduction in net exposure due to sales and write offs was in amount of RON 27,271 thousands for the Group (2018: RON 55,054 thousands) and RON 19,768 thousands for the Bank (2018: RON 15,070 thousands). The net proceeds from disposal were of RON 41,228 thousands for the Group and also Bank (2018: 47,732 RON thousands).

23. Finance lease receivables

31.12.2019 Group											
in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	550	-	-	-	550	-	-	-	-	-	550
Other financial corporations	14,743	367	-	-	15,110	(209)	(18)	-	-	(227)	14,883
Non-financial corporations	1,034,506	31,121	42,199	-	1,107,826	(16,037)	(1,421)	(20,205)	-	(37,663)	1,070,163
Households	27,155	5,710	456	-	33,321	(82)	(732)	(170)	-	(984)	32,337
Total	**1,076,954**	**37,198**	**42,655**	**-**	**1,156,807**	**(16,328)**	**(2,171)**	**(20,375)**	**-**	**(38,874)**	**1,117,933**

31.12.2018 Group											
in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	693	34	-	-	727	-	-	-	-	-	727
Other financial corporations	14,965	723	114	-	15,802	(214)	(35)	(88)	-	(337)	15,465
Non-financial corporations	902,915	44,975	19,955	-	967,845	(11,389)	(1,762)	(7,747)	-	(20,898)	946,947
Households	23,446	4,845	171	-	28,462	(352)	(275)	(106)	-	(733)	27,729
Total	**942,019**	**50,577**	**20,240**	**-**	**1,012,836**	**(11,955)**	**(2,072)**	**(7,941)**	**-**	**(21,968)**	**990,868**

31.12.2019 Bank											
in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Credit institutions	-	-	292	-	292	-	-	(292)	-	(292)	-
Other financial corporations	3,400	-	-	-	3,400	(1)	-	-	-	(1)	3,399
Total	**3,400**	**-**	**292**	**-**	**3,692**	**(1)**	**-**	**(292)**	**-**	**(293)**	**3,399**

The movements in allowances for financial assets at amortised cost – finance lease are presented below:

31.12.2019 Group									
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(11,955)**	**(7,278)**	**131**	**1,977**	**797**	**-**	**-**	**-**	**(16,328)**
Other financial corporations	(214)	(37)	44	(2)	-	-	-	-	(209)
Non-financial corporations	(11,389)	(7,209)	82	1,930	549	-	-	-	(16,037)
Households	(352)	(32)	5	49	248	-	-	-	(82)
Stage 2	**(2,072)**	**-**	**14**	**1,653**	**(1,766)**	**-**	**-**	**-**	**(2,171)**
Other financial corporations	(35)	-	-	17	-	-	-	-	(18)
Non-financial corporations	(1,762)	-	12	1,559	(1,230)	-	-	-	(1,421)
Households	(275)	-	2	77	(536)	-	-	-	(732)
Stage 3	**(7,941)**	**-**	**110**	**(486)**	**(12,725)**	**-**	**667**	**-**	**(20,375)**
Other financial corporations	(88)	-	-	88	-	-	-	-	-
Non-financial corporations	(7,747)	-	110	(613)	(12,622)	-	667	-	(20,205)
Households	(106)	-	-	39	(103)	-	-	-	(170)
Total	**(21,968)**	**(7,278)**	**255**	**3,144**	**(13,694)**	**-**	**667**	**-**	**(38,874)**

23. Finance lease receivables *(continued)*

31.12.2018 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(11,393)**	**(6,794)**	**729**	**(1,258)**	**6,664**	**-**	**-**	**97**	**(11,955)**
Other financial corporations	(61)	(177)	-	21	3	-	-	-	(214)
Non-financial corporations	(11,018)	(6,406)	716	(1,317)	6,539	-	-	97	(11,389)
Households	(314)	(211)	13	38	122	-	-	-	(352)
Stage 2	**(2,122)**	**(352)**	**79**	**2,672**	**(2,349)**	**-**	**-**	**-**	**(2,072)**
Other financial corporations	(10)	(38)	1	15	(3)	-	-	-	(35)
Non-financial corporations	(1,808)	(299)	78	2,603	(2,336)	-	-	-	(1,762)
Households	(304)	(15)	-	54	(10)	-	-	-	(275)
Stage 3	**(13,107)**	**(446)**	**290**	**(2,840)**	**(903)**	**-**	**9,065**	**-**	**(7,941)**
Other financial corporations	(127)	-	-	39	-	-	-	-	(88)
Non-financial corporations	(12,936)	(348)	290	(2,997)	(819)	-	9,063	-	(7,747)
Households	(44)	(98)	-	118	(84)	-	2	-	(106)
Total	**(26,622)**	**(7,592)**	**1,098**	**(1,426)**	**3,412**	**-**	**9,065**	**97**	**(21,968)**

31.12.2019 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Other financial corporations	-	-	-	(1)	-	-	-	-	(1)
Stage 3	**-**	**-**	**-**	**(292)**	**-**	**-**	**-**	**-**	**(292)**
Credit institutions	-	-	-	(292)	-	-	-	-	(292)
Total	**-**	**-**	**-**	**(293)**	**-**	**-**	**-**	**-**	**(293)**

24. Trade and other receivables

31.12.2019 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	32,919	1,367	84	106	**34,476**	(30)	(4)	(84)	(106)	**(224)**	**34,252**
Credit institutions	25,906	28,273	-	-	**54,179**	(35)	(1,287)	-	-	**(1,322)**	**52,857**
Other financial corporations	14,167	4,182	454	-	**18,803**	(18)	(1)	(454)	-	**(473)**	**18,330**
Non-financial corporations	257,922	55,756	73,946	3,729	**391,353**	(3,149)	(6,115)	(72,394)	(3,718)	**(85,376)**	**305,977**
Households	913	13,436	1,991	171	**16,511**	(19)	(714)	(1,978)	(156)	**(2,867)**	**13,644**
Total	**331,827**	**103,014**	**76,475**	**4,006**	**515,322**	**(3,251)**	**(8,121)**	**(74,910)**	**(3,980)**	**(90,262)**	**425,060**

31.12.2018 Group

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	25,567	324	30	20	**25,941**	(28)	(11)	(30)	(20)	**(89)**	**25,852**
Credit institutions	72,511	10	7	-	**72,528**	(51)	-	(5)	-	**(56)**	**72,472**
Other financial corporations	41,084	111	4,703	-	**45,898**	(25)	(4)	(2,851)	-	**(2,880)**	**43,018**
Non-financial corporations	297,432	101,298	105,690	3,325	**507,745**	(3,274)	(14,049)	(103,068)	(3,118)	**(123,509)**	**384,236**
Households	31,668	6,113	4,626	423	**42,830**	(101)	(288)	(4,591)	(414)	**(5,394)**	**37,436**
Total	**468,262**	**107,856**	**115,056**	**3,768**	**694,942**	**(3,479)**	**(14,352)**	**(110,545)**	**(3,552)**	**(131,928)**	**563,014**

31.12.2019 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	32,919	1,367	84	106	**34,476**	(30)	(4)	(84)	(106)	**(224)**	**34,252**
Credit institutions	25,906	28,287	-	-	**54,193**	(35)	(1,287)	-	-	**(1,322)**	**52,871**
Other financial corporations	14,155	4,178	244	-	**18,577**	(17)	-	(244)	-	**(261)**	**18,316**
Non-financial corporations	247,148	51,633	62,313	3,729	**364,823**	(3,043)	(5,930)	(62,313)	(3,718)	**(75,004)**	**289,819**
Households	824	13,411	1,622	171	**16,028**	(17)	(713)	(1,622)	(156)	**(2,508)**	**13,520**
Total	**320,952**	**98,876**	**64,263**	**4,006**	**488,097**	**(3,142)**	**(7,934)**	**(64,263)**	**(3,980)**	**(79,319)**	**408,778**

31.12.2018 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	25,567	321	30	20	**25,938**	(28)	(11)	(30)	(20)	**(89)**	**25,849**
Credit institutions	72,668	21	7	-	**72,696**	(51)	(1)	(5)	-	**(57)**	**72,639**
Other financial corporations	41,076	107	4,472	-	**45,655**	(25)	(4)	(2,620)	-	**(2,649)**	**43,006**
Non-financial corporations	281,501	99,564	91,881	3,325	**476,271**	(3,176)	(13,934)	(91,705)	(3,118)	**(111,933)**	**364,338**
Households	31,605	6,085	4,475	423	**42,588**	(100)	(287)	(4,440)	(414)	**(5,241)**	**37,347**
Total	**452,417**	**106,098**	**100,865**	**3,768**	**663,148**	**(3,380)**	**(14,237)**	**(98,800)**	**(3,552)**	**(119,969)**	**543,179**

24. Trade and other receivables (*continued*)

The movements in allowances for financial assets at amortised cost – trade and other receivables are presented below:

								31.12.2019	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(3,479)**	**(6,084)**	**3,603**	**622**	**1,957**	**-**	**128**	**2**	**(3,251)**
General governments	(28)	(59)	46	11	-	-	-	-	(30)
Credit institutions	(51)	(73)	96	(7)	-	-	-	-	(35)
Other financial corporations	(25)	(5)	-	12	-	-	-	-	(18)
Non-financial corporations	(3,274)	(5,878)	3,455	547	1,957	-	41	3	(3,149)
Households	(101)	(69)	6	59	-	-	87	(1)	(19)
Stage 2	**(14,352)**	**-**	**3,193**	**6,448**	**(4,108)**	**-**	**709**	**(11)**	**(8,121)**
General governments	(11)	-	99	(92)	-	-	-	-	(4)
Credit institutions	-	-	-	(1,287)	-	-	-	-	(1,287)
Other financial corporations	(4)	-	2	(2)	-	-	3	-	(1)
Non-financial corporations	(14,049)	-	3,015	8,573	(4,108)	-	463	(9)	(6,115)
Households	(288)	-	77	(744)	-	-	243	(2)	(714)
Stage 3	**(110,545)**	**-**	**11,853**	**20,292**	**(5,742)**	**-**	**9,514**	**(282)**	**(74,910)**
General governments	(30)	-	9	(63)	-	-	-	-	(84)
Credit institutions	(5)	-	-	5	-	-	-	-	-
Other financial corporations	(2,851)	-	1,962	474	-	-	14	(53)	(454)
Non-financial corporations	(103,068)	-	9,882	20,238	(5,742)	-	6,483	(187)	(72,394)
Households	(4,591)	-	-	(362)	-	-	3,017	(42)	(1,978)
POCI	**(3,552)**	**-**	**-**	**(1,377)**	**-**	**-**	**989**	**(40)**	**(3,980)**
General governments	(20)	-	-	(86)	-	-	-	-	(106)
Non-financial corporations	(3,118)	-	-	(1,366)	-	-	799	(33)	(3,718)
Households	(414)	-	-	75	-	-	190	(7)	(156)
Total	**(131,928)**	**(6,084)**	**18,649**	**25,985**	**(7,893)**	**-**	**11,340**	**(331)**	**(90,262)**

								31.12.2018	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(2,938)**	**(2,705)**	**555**	**(59)**	**1,502**	**-**	**-**	**166**	**(3,479)**
General governments	(32)	(26)	40	(10)	-	-	-	-	(28)
Credit institutions	-	(113)	50	12	-	-	-	-	(51)
Other financial corporations	(20)	(1)	1	(5)	-	-	-	-	(25)
Non-financial corporations	(2,574)	(2,530)	398	24	1,492	-	-	(84)	(3,274)
Households	(312)	(35)	66	(80)	10	-	-	250	(101)
Stage 2	**(31,839)**	**(565)**	**1,466**	**19,861**	**(3,336)**	**-**	**-**	**61**	**(14,352)**
General governments	(15)	-	8	(54)	-	-	-	50	(11)
Other financial corporations	(6)	-	3	229	(230)	-	-	-	(4)
Non-financial corporations	(31,372)	(500)	1,138	19,713	(3,039)	-	-	11	(14,049)
Households	(446)	(65)	317	(27)	(67)	-	-	-	(288)
Stage 3	**(55,426)**	**(344)**	**7,170**	**(67,474)**	**(307)**	**-**	**6,065**	**(229)**	**(110,545)**
General governments	(26)	(25)	26	(5)	-	-	-	-	(30)
Credit institutions	-	(5)	-	-	-	-	-	-	(5)
Other financial corporations	(5,732)	-	1	2,884	-	-	-	(4)	(2,851)
Non-financial corporations	(44,673)	(232)	7,068	(69,656)	(277)	-	4,923	(221)	(103,068)
Households	(4,995)	(82)	75	(697)	(30)	-	1,142	(4)	(4,591)
POCI	**(3,278)**	**-**	**283**	**(755)**	**-**	**-**	**253**	**(55)**	**(3,552)**
General governments	(24)	-	6	(2)	-	-	-	-	(20)
Other financial corporations	(3)	-	5	(2)	-	-	-	-	-
Non-financial corporations	(2,059)	-	57	(1,237)	-	-	176	(55)	(3,118)
Households	(1,192)	-	215	486	-	-	77	-	(414)
Total	**(93,481)**	**(3,614)**	**9,474**	**(48,427)**	**(2,141)**	**-**	**6,318**	**(57)**	**(131,928)**

24. Trade and other receivables *(continued)*

31.12.2019 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(3,380)**	**(6,034)**	**3,603**	**600**	**1,942**	**-**	**128**	**(1)**	**(3,142)**
General governments	(28)	(59)	46	11	-	-	-	-	(30)
Credit institutions	(51)	(73)	96	(7)	-	-	-	-	(35)
Other financial corporations	(25)	(5)	-	13	-	-	-	-	(17)
Non-financial corporations	(3,176)	(5,829)	3,455	524	1,942	-	41	-	(3,043)
Households	(100)	(68)	6	59	-	-	87	(1)	(17)
Stage 2	**(14,237)**	**-**	**3,193**	**6,432**	**(4,026)**	**-**	**709**	**(5)**	**(7,934)**
General governments	(11)	-	99	-	(92)	-	-	-	(4)
Credit institutions	(1)	-	-	(1,286)	-	-	-	-	(1,287)
Other financial corporations	(4)	-	2	2	(3)	-	3	-	-
Non-financial corporations	(13,934)	-	3,015	8,460	(3,931)	-	463	(3)	(5,930)
Households	(287)	-	77	(744)	-	-	243	(2)	(713)
Stage 3	**(98,800)**	**-**	**11,845**	**14,401**	**(881)**	**-**	**9,454**	**(282)**	**(64,263)**
General governments	(30)	-	9	(63)	-	-	-	-	(84)
Credit institutions	(5)	-	-	5	-	-	-	-	-
Other financial corporations	(2,620)	-	1,962	829	(376)	-	14	(53)	(244)
Non-financial corporations	(91,705)	-	9,874	13,787	(505)	-	6,423	(187)	(62,313)
Households	(4,440)	-	-	(157)	-	-	3,017	(42)	(1,622)
POCI	**(3,552)**	**-**	**-**	**(1,377)**	**-**	**-**	**989**	**(40)**	**(3,980)**
General governments	(20)	-	-	(86)	-	-	-	-	(106)
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-
Non-financial corporations	(3,118)	-	-	(1,366)	-	-	799	(33)	(3,718)
Households	(414)	-	-	75	-	-	190	(7)	(156)
Total	**(119,969)**	**(6,034)**	**18,641**	**20,056**	**(2,965)**	**-**	**11,280**	**(328)**	**(79,319)**

31.12.2018 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	**(2,474)**	**(2,654)**	**547**	**458**	**743**	**-**	**-**	**-**	**(3,380)**
General governments	(32)	(26)	40	(11)	1	-	-	-	(28)
Credit institutions	-	(113)	50	12	-	-	-	-	(51)
Other financial corporations	(20)	(1)	1	(5)	-	-	-	-	(25)
Non-financial corporations	(2,361)	(2,487)	390	540	742	-	-	-	(3,176)
Households	(61)	(27)	66	(78)	-	-	-	-	(100)
Stage 2	**(31,706)**	**(564)**	**1,465**	**16,844**	**(266)**	**-**	**-**	**(10)**	**(14,237)**
General governments	(15)	-	8	(4)	-	-	-	-	(11)
Credit institutions	-	-	-	(1)	-	-	-	-	(1)
Other financial corporations	(6)	-	3	(1)	-	-	-	-	(4)
Non-financial corporations	(31,239)	(499)	1,137	16,882	(205)	-	-	(10)	(13,934)
Households	(446)	(65)	317	(32)	(61)	-	-	-	(287)
Stage 3	**(48,771)**	**(342)**	**7,151**	**(61,073)**	**(31)**	**-**	**4,414**	**(148)**	**(98,800)**
General governments	(26)	(25)	25	(4)	-	-	-	-	(30)
Credit institutions	-	(5)	-	-	-	-	-	-	(5)
Other financial corporations	(5,732)	-	1	3,111	-	-	-	-	(2,620)
Non-financial corporations	(38,025)	(230)	7,050	(63,622)	(2)	-	3,272	(148)	(91,705)
Households	(4,988)	(82)	75	(558)	(29)	-	1,142	-	(4,440)
POCI	**(3,278)**	**-**	**282**	**(755)**	**1**	**-**	**253**	**(55)**	**(3,552)**
General governments	(24)	-	7	(3)	-	-	-	-	(20)
Other financial corporations	(3)	-	4	(2)	1	-	-	-	-
Non-financial corporations	(2,059)	-	57	(1,237)	-	-	176	(55)	(3,118)
Households	(1,192)	-	214	487	-	-	77	-	(414)
Total	**(86,229)**	**(3,560)**	**9,445**	**(44,526)**	**447**	**-**	**4,667**	**(213)**	**(119,969)**

25. Investments in joint ventures and associates

The Bank has a 33.33% interest in Fondul de Garantare a Creditului Rural, an unlisted financial institution whose main role is to facilitate the companies from the agriculture industry to obtain loans from the banks.
During 2019, the Bank acquired 49% of BCR Social Finance IFN SA whose main role is to provide loans to customers. The Bank's interest in these two companies is accounted for using the equity method in the consolidated financial statements.

in RON thousands	2019	2018
Financial institutions	24,553	20,027
Total	**24,553**	**20,027**

The table below shows the aggregated financial information of the companies:

in RON thousands	2019	2018
Total assets	895,052	753,719
Total liabilities	826,973	693,634
Total equity	**68,079**	**60,086**
Carying amount of the investment	**24,553**	**20,027**

in RON thousands	2019	2018
Income	29,316	24,492
Expenses	(30,026)	(14,502)
Profit before tax	**(710)**	**9,990**
Income tax expenses	(436)	(2,037)
Profit/loss	**(1,146)**	**7,953**
Group's share of profit for the year	**(390)**	**2,651**

	Fondul de Garantare a Creditului Rural	BCR Social Finance IFN
in RON thousands	**2019**	**2019**
Total assets	785,018	110,034
Total liabilities	728,814	98,159
Total equity	**56,204**	**11,875**
Proportional of the Group's ownership	33.33%	49.00%
Carying amount of the investment	**18,733**	**5,819**
in RON thousands		
Income	11,680	17,635
Expenses	(12,343)	(17,683)
Profit before tax	**(663)**	**(48)**
Income tax expenses	(436)	-
Profit/loss	**(1,099)**	**(48)**
Proportional of the Group's ownership	33.33%	49.00%
Group's share of profit for the year	**(366)**	**(24)**

The contribution of the Fondul de Garantare a Creditului Rural to Group's total assets is 1.05% and of the BCR Social Finance is 0.15%.

26. Property, equipment and investment properties

						Group
	Property and equipment - Acquisition and production costs					
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2018	**1,258,237**	**599,203**	**237,273**	**385,160**	**2,479,873**	**178,068**
Additions in current year (+)	19,595	50,946	23,580	337,008	431,129	344
Disposals and write off (-)	(23,285)	(148,851)	(3,303)	(185,302)	(360,741)	(24,052)
Reclassification (+/-)	(136,579)	(4,671)	(462)	3,425	(138,287)	138,286
Assets held for sale (-)	(285,964)	-	-	-	(285,964)	(25,409)
Currency translation (+/-)	25	373	238	-	636	-
Balance as of 31.12.2018	**832,029**	**497,000**	**257,326**	**540,291**	**2,126,646**	**267,237**
Balance as of 01.01.2019	**832,029**	**497,000**	**257,326**	**540,291**	**2,126,646**	**267,237**
Additions in current year (+)	18,812	41,376	18,359	-	78,547	1,511
Disposals and write off (-)	(45,939)	(68,002)	(5,572)	-	(119,513)	(30,697)
Reclassification (+/-)	(64,562)	1,750	4,860	(3,059)	(61,011)	64,809
Assets held for sale (-) (i)	(164,601)	-	-	(392,012)	(556,613)	-
Currency translation (+/-)	22	332	217	-	571	-
Balance as of 31.12.2019	**575,761**	**472,456**	**275,190**	**145,220**	**1,468,627**	**302,860**

						Group
	Property and equipment - Accumulated depreciation					
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2018	**(407,220)**	**(489,373)**	**(159,066)**	**(108,531)**	**(1,164,190)**	**(56,578)**
Amortisation and depreciation (-)	(34,995)	(38,066)	(10,950)	(48,796)	(132,807)	(3,722)
Disposals (+)	5,798	144,905	2,869	11,853	165,425	5,978
Impairment (-)	(71,282)	(103)	(95)	(63)	(71,543)	(13,633)
Reversal of impairment (+)	2,415	-	-	1,450	3,865	4,921
Reclassification (+/-)	49,799	40,995	(39,088)	(1,908)	49,798	(49,799)
Assets held for sale (+)	192,529	-	-	-	192,529	8,402
Currency translation (+/-)	(5)	(242)	(216)	-	(463)	-
Balance as of 31.12.2018	**(262,961)**	**(341,884)**	**(206,546)**	**(145,995)**	**(957,386)**	**(104,431)**
Balance as of 01.01.2019	**(262,961)**	**(341,884)**	**(206,546)**	**(145,995)**	**(957,386)**	**(104,431)**
Amortisation and depreciation (-)	(20,754)	(30,333)	(16,618)	(23,264)	(90,969)	(5,233)
Disposals (+)	30,082	54,796	5,399	114,320	204,597	12,704
Impairment (-)	(34,130)	(14,555)	(174)	(30,992)	(79,851)	(11,045)
Reversal of impairment (+)	-	-	233	-	233	-
Reclassification (+/-)	33,674	(3,028)	(2)	3,028	33,672	(33,674)
Assets held for sale (+) (i)	18,149	-	-	29,422	47,571	-
Currency translation (+/-)	(5)	(259)	(204)	-	(468)	-
Balance as of 31.12.2019	**(235,945)**	**(335,263)**	**(217,912)**	**(53,481)**	**(842,601)**	**(141,679)**

						Group
	Property and equipment net					
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2018	**569,068**	**155,116**	**50,780**	**394,296**	**1,169,260**	**162,806**
Balance as of 31.12.2019	**339,816**	**137,193**	**57,278**	**91,739**	**626,026**	**161,181**

(i) The main impact within the amount of RON 164,601 thousands is the reclassification of Bucharest Financial Plaza building. The amount of RON 392,012 thousands represents the reclassification of the of the movable other property of BCR Fleet Management SRL.

26. Property, equipment and investment properties *(continued)*

Rights of use property, equipment and investment properties

Group

Right of use Property and equipment - Acquisition and production costs						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2019	**294,649**	**-**	**-**	**5,832**	**300,481**	**-**
Additions in current year (+) (i)	104,713	-	-	4,862	**109,575**	-
Disposals and write off (-)	(31,116)	-	-	(9,089)	**(40,205)**	-
Assets held for sale (-)	(10,450)	-	-	-	**(10,450)**	-
Balance as of 31.12.2019	**357,796**	**-**	**-**	**1,605**	**359,401**	**-**

Group

Right of use Property and equipment - Accumulated depreciation						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Amortisation and depreciation (-)	(49,768)	-	-	(1,207)	(50,975)	-
Disposals (+)	2,841	-	-	15	2,856	-
Currency translation (+/-)	(41)	-	-	-	(41)	-
Balance as of 31.12.2019	**(46,968)**	**-**	**-**	**(1,192)**	**(48,160)**	**-**

Group

Right of use Property and equipment net						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2019	**-**	**-**	**-**	**-**	**-**	**-**
Balance as of 31.12.2019	**310,828**	**-**	**-**	**413**	**311,241**	**-**

Group

Total Property and equipment net						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2019	**569,068**	**155,116**	**50,780**	**394,296**	**1,169,260**	**162,806**
Balance as of 31.12.2019	**650,644**	**137,193**	**57,278**	**92,152**	**937,267**	**161,181**

(i) RON 49,056 thousand represents the impact from changes in discount rate related to leasing contracts (please see Note 2.3), the rest are new contracts.

26. Property, equipment and investment properties *(continued)*

Bank

	Property and equipment - Acquisition and production costs					
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2018	**1,248,641**	**578,436**	**227,839**	**-**	**2,054,916**	**178,068**
Additions in current year (+)	17,576	38,895	22,430	-	**78,901**	344
Disposals and write off (-)	(13,040)	(143,415)	(2,796)	-	**(159,251)**	(24,052)
Reclassification (+/-)	(136,579)	(4,672)	(461)	3,425	**(138,287)**	138,286
Assets held for sale (+)	(285,964)	-	-	-	**(285,964)**	(25,409)
Balance as of 31.12.2018	**830,634**	**469,244**	**247,012**	**3,425**	**1,550,315**	**267,237**
Balance as of 01.01.2019	**830,634**	**469,244**	**247,012**	**3,425**	**1,550,315**	**267,237**
Additions in current year (+)	16,871	25,020	18,134	-	**60,025**	1,511
Disposals and write off (-)	(45,889)	(55,592)	(5,678)	-	**(107,159)**	(30,697)
Reclassification (+/-)	(64,562)	2,117	4,860	(3,425)	**(61,010)**	64,809
Assets held for sale (-)	(164,601)	-	-	-	**(164,601)**	-
Balance as of 31.12.2019	**572,453**	**440,789**	**264,328**	**-**	**1,277,570**	**302,860**

Bank

	Property and equipment - Accumulated depreciation					
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2018	**(405,289)**	**(482,248)**	**(151,391)**	**-**	**(1,038,928)**	**(56,578)**
Amortisation and depreciation (-)	(34,227)	(30,633)	(9,876)	-	(74,736)	(3,722)
Disposals (+)	4,003	143,933	2,796	-	150,732	5,978
Impairment (-)	(71,282)	(103)	(95)	-	(71,480)	(13,633)
Reversal of impairment (+)	2,415	-	-	-	2,415	4,921
Reclassification (+/-)	49,799	42,177	(38,983)	(3,194)	49,799	(49,799)
Assets held for sale (+)	192,529	-	-	-	192,529	8,402
Balance as of 31.12.2018	**(262,052)**	**(326,874)**	**(197,549)**	**(3,194)**	**(789,669)**	**(104,431)**
Balance as of 01.01.2019	**(262,052)**	**(326,874)**	**(197,549)**	**(3,194)**	**(789,669)**	**(104,431)**
Amortisation and depreciation (-)	(20,726)	(28,725)	(16,000)	-	(65,451)	(5,233)
Disposals (+)	30,083	54,136	5,677	-	89,896	12,704
Impairment (-)	(32,589)	(1,818)	(174)	-	(34,581)	(11,045)
Reclassification (+/-)	33,674	(3,195)	(2)	3,194	33,671	(33,674)
Assets held for sale (+)	18,149	-	-	-	18,149	-
Balance as of 31.12.2019	**(233,461)**	**(306,476)**	**(208,048)**	**-**	**(747,985)**	**(141,679)**

Bank

	Property and equipment net					
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2018	**568,582**	**142,370**	**49,463**	**231**	**760,646**	**162,806**
Balance as of 31.12.2019	**338,992**	**134,313**	**56,280**	**-**	**529,585**	**161,181**

26. Property, equipment and investment properties *(continued)*

Rights of use property, equipment and investment properties

Bank

Right of use Property and equipment - Acquisition and production costs						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2019	**272,766**	**-**	**-**	**2,724**	**275,490**	**-**
Additions in current year (+) (i)	108,855	-	-	589	**109,444**	-
Disposals and write off (-)	(30,754)	-	-	-	**(30,754)**	-
Balance as of 31.12.2019	**350,867**	**-**	**-**	**3,313**	**354,180**	**-**

Bank

Right of use Property and equipment - Accumulated depreciation						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 01.01.2019	**-**	**-**	**-**	**-**	**-**	**-**
Amortisation and depreciation (-)	(48,096)	-	-	(975)	(49,071)	-
Disposals (+)	2,811	-	-	-	2,811	-
Balance as of 31.12.2019	**(45,285)**	**-**	**-**	**(975)**	**(46,260)**	**-**

Bank

Right of use Property and equipment net						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2018	**-**	**-**	**-**	**-**	**-**	**-**
Balance as of 31.12.2019	**305,582**	**-**	**-**	**2,338**	**307,920**	**-**

Bank

Total Property and equipment net						
in RON thousands	Land and buildings	Office and equipment / other fixed assets	IT assets (hardware)	Movable other property	Total property and equipment	Investment properties
Balance as of 31.12.2018	**568,582**	**142,370**	**49,463**	**231**	**760,646**	**162,806**
Balance as of 31.12.2019	**644,574**	**134,313**	**56,280**	**2,338**	**837,505**	**161,181**

(i) RON 42,222 thousand represents the impact from changes in discount rate related to leasing contracts (please see Note 2.3), the rest are new contracts.

There are no fixed assets pledged as collateral as at 31 December 2019 and 31 December 2018.

The total cost of the Group's tangible fixed assets in use and fully amortized at the end of 2019 was RON 485,101 thousands (2018: RON 475,150 thousands). The total cost of the Bank's tangible fixed assets in use and fully amortized at the end of 2019 was RON 462,814 thousands (2018: RON 467,031 thousands).

The investment properties are presented at cost and as at 31 December 2019 the fair value is RON 200,649 thousands (2018: RON 199,167 thousands). Fair values are determined based on an annual evaluation performed by an accredited external independent valuator. Please refer to note 44 for fair value disclosure.

Assets under construction are in amount of RON 67,732 thousands (2018: RON 81,309 thousands) for the Bank.

27. Intangible assets

				Group
	Intangible assets - Acquisition and production costs			
in RON thousands	Software acquired	Self-developed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 01.01.2018	**820,549**	**124,748**	**361**	**945,658**
Additions in current year (+)	105,029	18,072	-	123,101
Disposals and write off (-)	(36,911)	(84)	-	(36,995)
Reclassification (+/-) (i)	(208,955)	(7,086)	216,041	-
Currency translation (+/-)	226	-	-	226
Balance as of 31.12.2018	**679,938**	**135,650**	**216,402**	**1,031,990**
Balance as of 01.01.2019	**679,938**	**135,650**	**216,402**	**1,031,990**
Additions in current year (+)	74,846	20,950	3,339	99,135
Disposals and write off (-)	(2,572)	(73)	-	(2,645)
Reclassification (+/-)	(7,243)	(8,515)	11,959	(3,799)
Currency translation (+/-)	238	-	-	238
Balance as of 31.12.2019	**745,207**	**148,012**	**231,700**	**1,124,919**

				Group
	Intangible assets - Accumulated amortisation			
in RON thousands	Software acquired	Self-developed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 01.01.2018	**(554,077)**	**(70,348)**	**(361)**	**(624,786)**
Amortisation and depreciation (-)	(53,178)	(8,194)	-	(61,372)
Disposals and write off (+)	34,385	84	-	34,469
Impairment (-)	(18,162)	(84)	-	(18,246)
Reclassification (+/-) (i)	197,120	-	(197,120)	-
Currency translation (+/-)	(157)	-	-	(157)
Balance as of 31.12.2018	**(394,069)**	**(78,542)**	**(197,481)**	**(670,092)**
Balance as of 01.01.2019	**(394,069)**	**(78,542)**	**(197,481)**	**(670,092)**
Amortisation and depreciation (-)	(74,967)	(10,539)	(9,575)	(95,081)
Disposals and write off (+)	2,305	73	-	2,378
Impairment (-)	(2,732)	(133)	-	(2,865)
Reclassification (+/-)	-	-	-	-
Currency translation (+/-)	(174)	-	-	(174)
Balance as of 31.12.2019	**(469,637)**	**(89,141)**	**(207,056)**	**(765,834)**

				Group
	Intangible assets net			
in RON thousands	Software acquired	Self-developed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 31.12.2018	**285,869**	**57,108**	**18,921**	**361,898**
Balance as of 31.12.2019	**275,570**	**58,871**	**24,644**	**359,085**

27. Intangible assets *(continued)*

				Bank
	Intangible assets - Acquisition and production costs			
in RON thousands	**Software acquired**	**Self-developed software within the Group**	**Others (licenses, patents, etc.)**	**Total**
Balance as of 01.01.2018	**793,915**	**124,748**	**-**	**918,663**
Additions in current year (+)	98,570	18,072	-	**116,642**
Disposals and write off (-)	(34,904)	(84)	-	**(34,988)**
Reclassification (+/-) (i)	(208,956)	(7,086)	216,042	**-**
Balance as of 31.12.2018	**648,625**	**135,650**	**216,042**	**1,000,317**
Balance as of 01.01.2019	**648,625**	**135,650**	**216,042**	**1,000,317**
Additions in current year (+)	68,896	20,950	3,339	**93,185**
Disposals and write off (-)	(2,501)	(73)	-	**(2,574)**
Reclassification (+/-)	(7,243)	(8,515)	11,959	**(3,799)**
Balance as of 31.12.2019	**707,777**	**148,012**	**231,340**	**1,087,129**

				Bank
	Intangible assets - Accumulated amortisation			
in RON thousands	**Software acquired**	**Self-developed software within the Group**	**Others (licenses, patents, etc.)**	**Total**
Balance as of 01.01.2018	**(534,084)**	**(70,348)**	**-**	**(604,432)**
Amortisation and depreciation (-)	(49,586)	(8,194)	-	**(57,780)**
Disposals and write off (+)	34,077	84	-	**34,161**
Impairment (-)	(18,162)	(84)	-	**(18,246)**
Reclassification (+/-) (i)	197,120	-	(197,120)	**-**
Balance as of 31.12.2018	**(370,635)**	**(78,542)**	**(197,120)**	**(646,297)**
Balance as of 01.01.2019	**(370,635)**	**(78,542)**	**(197,120)**	**(646,297)**
Amortisation and depreciation (-)	(71,950)	(10,539)	(9,576)	**(92,065)**
Disposals and write off (+)	2,181	73	-	**2,254**
Impairment (-)	(2,306)	(133)	-	**(2,439)**
Reclassification (+/-)	-	-	-	**-**
Balance as of 31.12.2019	**(442,710)**	**(89,141)**	**(206,696)**	**(738,547)**

				Bank
	Intangible assets net			
in RON thousands	**Software acquired**	**Self-developed software within the Group**	**Others (licenses, patents, etc.)**	**Total**
Balance as of 31.12.2018	**277,990**	**57,108**	**18,922**	**354,020**
Balance as of 31.12.2019	**265,067**	**58,871**	**24,644**	**348,582**

(i) The reclassification referes to the presentation of the licenses in a different category with distinct features from software (the amortization period is equal to the usage right period).

The total cost of the Group's intangible fixed assets in use and fully amortized at the end of 2019 was RON 401,933 thousands (2018: RON 374,947 thousands). The total cost of the Bank's intangible fixed assets in use and fully amortized at the end of 2019 was RON 388,061 thousands (2018: RON 363,080 thousands).

Assets under construction are in amount of RON 44,999 thousands (2018: RON 75,947 thousands) for the Group and the Bank and represent various software developments.

28. Tax assets and liabilities

					31.12.2019		Group
					Net variance 2019		
in RON thousands	Tax assets 2019	Tax assets 2018	Tax liabilities 2019	Tax liabilities 2018	Total	Through profit or loss	Through other comprehensive income
Temporary differences relate to the following items:							
Financial assets at fair value through other comprehensive income	(9,913)	(11,788)	-	-	(846)	-	(846)
Property and equipment (useful life in tax law different)	36,906	47,352	-	-	(10,446)	(10,446)	-
Amortisation of investments in subsidiaries (tax-effective in subsequent years)	(267)	(267)	-	-	-	-	-
Long-term employee provisions (tax valuation different)	(12,920)	(13,115)	-	-	225	(116)	354
Other provisions (tax valuation different)	179,457	185,415	(8,303)	-	(14,261)	(14,261)	-
Tax loss carry-forward	1,180	2,924	-	-	(1,744)	(1,744)	-
Intangible assets	(22,298)	(19,313)	-	-	(2,985)	(2,985)	-
Other	11,712	10,957	-	-	755	707	(6)
Total deferred taxes	**183,857**	**202,165**	**(8,303)**	**-**	**(29,302)**	**(28,845)**	**(498)**
Total current taxes	**238,752**	**181,800**	**(2,882)**	**(97,782)**	**(230,580)**	**(230,580)**	**-**
Total taxes	**422,609**	**383,965**	**(11,185)**	**(97,782)**	**(259,882)**	**(259,425)**	**(498)**

					31.12.2019		Bank
					Net variance 2019		
in RON thousands	Tax assets 2019	Tax assets 2018	Tax liabilities 2019	Tax liabilities 2018	Total	Through profit or loss	Through other comprehensive income
Temporary differences relate to the following items:							
Financial assets at fair value through other comprehensive income	(9,901)	(11,790)	-	-	(832)	-	(832)
Property and equipment (useful life in tax law different)	37,999	48,636	-	-	(10,637)	(10,637)	-
Amortisation of investments in subsidiaries (tax-effective in subsequent years)	(267)	(267)	-	-	-	-	-
Long-term employee provisions (tax valuation different)	(12,920)	(13,261)	-	-	341	-	341
Other provisions (tax valuation different)	180,167	192,949	-	-	(12,782)	(12,782)	-
Intangible assets	(22,298)	(19,206)	-	-	(3,092)	(3,092)	-
Total deferred taxes	**172,780**	**197,061**	**-**	**-**	**(27,002)**	**(26,511)**	**(491)**
Total current taxes	**235,928**	**178,822**		**(97,110)**	**(218,073)**	**(218,073)**	**-**
Total taxes	**408,708**	**375,883**	**-**	**(97,110)**	**(245,075)**	**(244,584)**	**(491)**

29. Assets held for sale and liabilities associated with assets held for sale

The Management Board approved in April 2017, the launching of the sale process of BCR's investment in shares in CIT One SRL and in September 2017, approved the strategy for the binding offer phase of the sale project. The BCR's Management Board maintained the commitment to sell the investment.

As at Year End 2019, transaction documents related to CIT One capital increase were signed, with the following details:

(i) Entering by BCR with other investors into a transaction involving the share capital increase of CIT One S.R.L. ("CIT One"), pursuant to which the other investors will become shareholders in CIT One, with equal shareholding of 33.3%.

(ii) Main terms and conditions of the transaction are included in the Subscription Agreement and Shareholders Agreement signed, by which the completion of the Transaction depends on the successful implementation of various conditions precedent described in the Subscription Agreement (e.g. Romanian Competition Council/European Commission clearance of the Transaction, execution of additional transaction documents).

The major classes of assets and liabilities related to CIT One disposal group are presented below:

in RON thousands	2019	2018
Major classes of assets part of the disposal group held for sale are as follows:		
Financial assets at amortised cost	3,817	5,064
Property and equipment	37,953	40,305
Intangible assets	2,239	2,063
Other assets	1,342	3,239
Total assets	**45,351**	**50,671**
Major classes of liabilities directly associated with disposal group held for sale are as follows:		
Other financial liabilities	(7,036)	(7,807)
Finance lease liabilities	(4,890)	-
Provisions	(3,995)	(4,397)
Other Liabilities	(5,372)	(3,234)
Total liabilities	**(21,293)**	**(15,438)**
Net assets	**24,058**	**35,233**

During 2019, the Management Board approved the lauching of the sale process of investement in shares in BCR Fleet Manangement. As at year end 2019 the procedure for obtaining offers for investor selection was in progress.

The major classes of assets and liabilities related to Fleet Management disposal group are presented below:

in RON thousands	2019	2018
Property and equipment	379,678	-
Other assets	22,563	-
Total assets	**402,241**	**-**
Major classes of liabilities directly associated with disposal group held for sale are as follows:		
Financial liabilities measured at amortised cost	(212,385)	
Other financial liabilities	(2,891)	-
Provisions	(2,107)	-
Other Liabilities	(5,517)	-
Total liabilities	**(222,900)**	**-**
Net assets	**179,341**	**-**

The balance of assets held for sale includes RON 198,804 thousands Bank's properties held for sale and the participation in Cit One in amout of RON 11,900 thousands.

30. Investments in subsidiaries and other assets

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Accrued income	73,360	82,400	14,969	12,991
Inventories (i)	109,934	112,940	83,764	94,586
Sundry assets	114,310	80,162	75,088	41,100
Other assets	**297,604**	**275,502**	**173,821**	**148,677**
Subsidiaries (ii)	-	-	**488,077**	403,152
Total Investments in subsidiaries and other assets	**297,604**	**275,502**	**661,898**	**551,829**

(i) Under this position the major part is represented by 'Repossessed Assets', which amounts to net of RON 83,765 thousands (2018: RON 93,361 thousands) for the Bank and RON 26,170 thousands (2018: RON 18,260 thousands) for subsidiaries. During 2019 a part of the repossessed assets was sold. The selling price in amount of RON 33,198 thousands (2018: RON 41,583 thousands) was booked as other operating income and the NBV in amount of RON 18,375 thousands (2018: RON 24,918 thousands) was recorded as other operating expenses.
After termination of operating leases, the car fleets are included in this position in accordance with principal actitivity of Fleet Management.

(ii) The Bank's investments in subsidiaries and other companies are in amount of RON 488,077 thousands (2018: RON 403,152 thousands). There is no active market for these investments and the Bank intends to hold them for the long term.

The movement in Subsidiaries' balance is presented below:

	Bank
in RON thousands	
Balance as of 01.01.2018	**533,510**
Contribution to increase in share capital	30,000
Impairment of subsidiaries	(160,358)
Balance as of 31.12.2018	**403,152**
Balance as of 01.01.2019	**403,152**
Contribution to increase in share capital	673,000
Impairment of subsidiaries	(588,075)
Balance as of 31.12.2019	**488,077**

At 31 December 2019, the allocation of impairment for investments in subsidiaries was in amount of RON (488,077) thousands, consisting of RON (673,000) thousands increase in impairment for BCR Banca pentru Locuinte and RON (4,735) thousands impairment for BCR Chisinau and RON 89,660 impairment reversal in BCR Leasing. The investment in CIT One is classified in the category 'Assets held for sale', for which was recorded a reversal of impairment in amount of RON 4,644 thousands (presented in OOR).

In the case of BPL, the High Court of Cassation and Justice has issued on 2019, June 21 a final decision in the litigation started in the period 2015-2016 following the control performed by the Romanian Court of Accounts (details regarding the status of litigation are presented in Note 46- Contingent liabilities and commitments).

On 9th of July 2019, BCR paid the amount of RON 673 million to BpL for capital needs. Subsequently, the capital increase provided to BpL was fully impaired. BpL repaid to BCR an amount of RON 191 million in July 2019, representing the balance of the initial loan (RON 425 million) borrowed from BCR in 2016 with maturity August 2019. In July 2019, BCR granted to BpL a loan in amount of RON 66 million with 2 years maturity.

Based on the decision of the High Court of Cassation, BpL started the process of establishing what CoA considers to be the prejudice amount (consisting of state premiums, interest and penalties).

Based on preliminary estimations, BpL booked a provision in accordance with IAS 37 requirements on 30th of June and adjusted based on the latest calculations and considerations (other payment obligations that could arise in connection with the Court of Justice decision) as of 31.12.2019.

BpL has done a partial payment of an amount of RON 50.9 mn on September 20th2019 to The Ministry of Regional Development and Public Administration ("MDRAP") in respect of the Court of Accounts Decision and for the time being is in the process of establishing the final prejudice amount, whose implementation deadline is 31.03.2020, according to CoA Decision No. 17/2/2015/28.11.2019. At the same time, new legal actions are being pursued against the High Court of Cassation decision.

These events or conditions, along with other matters as set forth above, indicate that a material uncertainty exists that may cast significant doubt on the BpL's ability to continue as a going concern, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.
It should be mentioned that, currently, the outcome of the current litigation is highly uncertain and cannot be predicted on a reliable basis. Moreover, further on and depending on it, the management/shareholders need to evaluate the company's strategic options and their implications, deciding, at the same time, the future course of action with respect to the company. The management/shareholders did not express so far any formal intention to liquidate the company or to cease performing the business activity.

30. Investments in subsidiaries and other assets *(continued)*

Meanwhile, the Company is continuing to operate by granting new Bauspar loans to the existing customers who fulfill the legal and contractual conditions and by accepting the crediting of the existing clients deposit accounts.

However, considering the levels of the prudential indicators such as liquidity ratio and capital ratio as of the end of 2019 and BCR showed its commitment towards BpL by providing the necessary capital for YE 2019, the company will be able to meet its obligations in the near future.

Therefore, the Management has evaluated the overall situation of the company and concluded that, despite of the fact that both the current litigation final outcome and its impact on the future Bauspar business are highly uncertain, BpL is financially stable for the foreseeable future.

Consequently the going concern basis for preparing its financial statements as of 31.12.2019 was assessed as appropriate.

The impairment booked at the Bank level for Subsidiaries is presented below:

in RON thousands	2019	2018
Suport Colect SRL	(983,047)	(983,047)
BCR Banca pentru Locuinte SA	(781,078)	(108,078)
BCR Chisinau SA	(153,625)	(148,890)
BCR Fond de Pensii	(110,015)	(110,015)
BCR Leasing IFN SA	(109,558)	(199,219)
Total	**(2,137,323)**	**(1,549,249)**

The recoverable amount of the subsidiaries has been determined as the higher of fair value (FV) less costs of sale and value in use (ViU), generally using long term financial projections. In accordance with IAS 36 par 50, the ViU was calculated on a pre-tax basis (before corporate taxes).

Based on business specifics, specific valuation methods were applied for each company as follows:

- Dividend Discount Model - the value of the company is considered the present value of its future dividend payments, plus the excess capital distributions/ contributions; the model uses cost of equity (CoE) as discount factor – used for Banca pentru Locuinte and BCR Chisinau;
- Income approach – the value of the company is considered the present value of its future income statement – used for BCR Pensii, BCR Payments, BCR Leasing.

The calculation of FV and ViU for both foreign and local subsidiaries is most sensitive to discount rates and financial projections (budgets) used.

Discount rates

The discount rates used were determined based on specific parameters (e.g. risk free rate, market risk premium, country risk premium, BETA rates, inflation spread) estimated for commercial banking industry and other financial services based on industry research.

The projected inflation rates are based on published industry research (median values of three sources of research).

Cost of equity (CoE) / Weighted average cost of capital (WACC)	Fair value	Value in use
Local subsidiaries	10%-12%	12%-14%
Foreign subsidiaries	17%	19%

Financial Projections

The financial projections are based on financial budgets, covering a five–year period. The approved projections were also adjusted for the financial impact of capital distributions, for the companies where Dividend Discount Model was used.

For companies operating in a tight regulatory environment regarding capital adequacy (i.e. banks and leasing companies), the distributions resulting from the financial projections were adjusted in order to take into account the maximum capital distributions allowed in order to keep the targeted solvency position.

Sensitivity to changes in assumptions at Bank's level for all subsidiaries

in RON thousands	2019	2018
Impact in the Statement of Comprehensive Income: income/ (expense)		
Cost of equity/ Weighted average cost of capital increases by 10%	(38,409)	(31,753)
Cost of equity/ Weighted average cost of capital decreases by 10%	45,528	42,107
Net cash-flows increase by 10%	49,110	44,140
Net cash flows decrease by 10%	(44,646)	(44,627)

31. Financial liabilities measured at amortised cost

Deposits from banks

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Current accounts / overnight deposits	408,477	516,812	352,711	435,631
Term deposits from other banks	661,900	1,610,911	722,825	1,692,198
Repurchase agreements	195,824	-	1,458,548	949,144
Deposits from banks	**1,266,201**	**2,127,723**	**2,534,084**	**3,076,973**
Borrowings and financing lines	2,105,646	2,408,375	572,786	672,249
Total Borrowings and financing lines	**2,105,646**	**2,408,375**	**572,786**	**672,249**
Subordinated loans	1,067,313	1,041,982	1,067,313	1,041,982
Total	**4,439,160**	**5,578,080**	**4,174,183**	**4,791,204**

Borrowings and financing lines

Maturity of other financing lines is between January 2020 and September 2030, the interest rates are fixed or variable in a range between 0.018%-3.51 %. Deposits from banks decreased due to early reimbursement(the impact is presented in Note 11).

Liabilities from financing activities			**Group**
in RON thousands	**Other borrowed funds**	**Subordinated debt**	**Total**
Borrowings at 01.01.2018	**2,249,500**	**2,371,499**	**4,620,999**
Cash flow	133,139	(1,429,883)	(1,296,744)
Foreign exchange adjustments	(4,437)	928	(3,509)
Other non-cash movements	30,173	99,438	129,611
Borrowings at 31.12.2018	**2,408,375**	**1,041,982**	**3,450,357**
Cash flow	(116,221)	(48,037)	(164,258)
Foreign exchange adjustments	47,224	25,618	72,842
Other non-cash movements	28,476	47,750	76,226
Deposits reclassified in liabilities associated with assets held for sale	(262,208)	-	(262,208)
Borrowings at 31.12.2019	**2,105,646**	**1,067,313**	**3,172,959**

Liabilities from financing activities			**Bank**
in RON thousands	**Other borrowed funds**	**Subordinated debt**	**Total**
Borrowings at 01.01.2018	**838,133**	**2,371,499**	**3,209,632**
Cash flow	(173,810)	(1,429,883)	(1,603,693)
Foreign exchange adjustments	(5,393)	928	(4,465)
Other non-cash movements	13,319	99,438	112,757
Borrowings at 31.12.2018	**672,249**	**1,041,982**	**1,714,231**
Cash flow	(124,390)	(48,037)	(172,427)
Foreign exchange adjustments	15,224	25,618	40,842
Other non-cash movements	9,703	47,750	57,453
Borrowings at 31.12.2019	**572,786**	**1,067,313**	**1,640,099**

Subordinated loans

In 2012, the Bank contracted one subordinated loan in EUR as follows:

- EUR 100,000 thousands with the maturity date of 27 June 2022.

In 2009, the Bank contracted one subordinated loan in EUR as follows:

- EUR 120,000 thousands with the maturity date of 30 September 2016. On 28 November 2013, an amendment to the subordinated contract through which the maturity of the loan was prolonged until 30 September 2021 was signed.

The loan agreements do not stipulate circumstances in which early disbursement is required and contain no provisions for converting subordinated debt in equity or other liability.

The debt ranks after all other creditors in the case of liquidation.

Maturities of the remained subordinated loans are between September 2021 and June 2022, the interest rates are variable in a range between 3.6%-5.3% for EUR.

31. Financial liabilities measured at amortised cost *(continued)*

Debt securities issued

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Other debt securities issued	784,402	349,153	784,402	349,153
Bonds	784,402	349,153	784,402	349,153
Debt securities issued	**784,402**	**349,153**	**784,402**	**349,153**

On 16th December 2019, the Bank issued senior non-prefered bonds in amount of RON 600,000 thousands with a maturity of 7 years and fixed interest rate of 5.35% p.a.

Deposits from customers

Deposits from Customers have seen an upward development driven by overnight deposits, on both Retail and Corporate clients. More specifically, high inflows came from Retail current accounts.

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Overnight deposits	30,964,935	26,962,305	30,841,345	26,847,416
Savings deposits	1,876	2,291	-	-
Households	1,876	2,291	-	-
Non-savings deposits	30,963,059	26,960,014	30,841,345	26,847,416
General governments	2,118,258	1,267,448	2,118,258	1,267,448
Other financial corporations	814,285	1,331,707	882,258	1,344,829
Non-financial corporations	11,841,476	10,242,954	11,712,163	10,150,350
Households	16,189,040	14,117,905	16,128,666	14,084,789
Term deposits	26,826,845	28,136,654	24,934,079	25,746,274
Deposits with agreed maturity	26,826,845	28,136,654	24,934,079	25,746,274
Savings deposits	1,819,511	2,493,030	-	-
Households	1,819,511	2,493,030	-	-
Non-savings deposits	25,007,334	25,643,624	24,934,079	25,746,274
General governments	1,976,045	2,320,084	1,976,045	2,320,084
Other financial corporations	784,187	1,036,206	908,442	1,148,908
Non-financial corporations	5,068,485	5,190,779	4,993,413	5,180,727
Households	17,178,617	17,096,555	17,056,179	17,096,555
Deposits from customers	**57,791,780**	**55,098,959**	**55,775,424**	**52,593,690**
General governments	4,094,303	3,587,532	4,094,303	3,587,532
Other financial corporations	1,598,472	2,367,913	1,790,700	2,493,737
Non-financial corporations	16,909,961	15,433,733	16,705,576	15,331,077
Households	35,189,044	33,709,781	33,184,845	31,181,344

32. Other financial liabilities

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Intrabanking settlement liabilities	192,938	135,257	192,938	135,257
Settlement liabilities due to clients	201,250	215,237	200,000	214,181
Client accounts for securities transactions	82,244	67,048	82,244	67,048
Financial liabilities - suppliers	149,894	149,515	156,543	152,259
Other financial liabilities	36,987	25,559	30,224	24,192
Total other financial liabilities	**663,313**	**592,616**	**661,949**	**592,937**

33. Provisions

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Long-term employee provisions	45,350	43,702	45,259	43,588
Pending legal issues (i)	657,726	679,672	614,148	647,077
Loan commitments given	70,932	83,747	74,172	85,484
Provisions for commitments given in Stage 1	22,563	13,979	22,718	15,305
Provisions for commitments given in Stage 2	27,704	22,720	30,789	23,130
Provisions for commitments given - Defaulted	20,665	47,048	20,665	47,049
Provisions for commitments given in Stage 3	9,400	43,168	9,400	43,169
Provisions for commitments given - POCI	11,265	3,880	11,265	3,880
Financial Guarantees given	295,508	333,355	295,495	333,343
Provisions for financial guarantees in Stage 1	8,203	10,456	8,171	10,426
Provisions for financial guarantees in Stage 2	34,118	35,700	34,137	35,719
Provisions for financial guarantees - Defaulted	253,187	287,199	253,187	287,198
Provisions for financial guarantees in Stage 3	253,187	286,492	253,187	286,491
Provisions for financial guarantees - POCI	-	707	-	707
Other provisions (ii)	710,095	11,212	20,407	10,763
Provisions	**1,779,611**	**1,151,688**	**1,049,481**	**1,120,255**

(i) Starting with the enactment of Government Emergency Ordinance no.50/2010 on loan agreements for private individuals, as subsequently modified ('Ordinance 50'), the Bank was involved in consumer litigations with certain financial implications. The Law 288 enacted in December 2010 modified Ordinance 50 so that certain provisions are not applicable to loan agreements with individuals existing at the date of the Ordinance 50 issuance.
Following these changes, litigations under the Ordinance 50 were generally dismissed by the Courts and the Bank won most of cases. However, clients have continued to take court actions against the Bank on the grounds of Law no.193/2000 on unfair terms in contracts with consumers, as subsequently modified, that transposes into national law the Directive no. 1993/13/EC on unfair terms in consumer contracts.
Currently, BCR is involved in a number of litigations with ANPC (National Consumer Protection Agency - 10 disputes filed by the institution), having as grounds the interpretations over Law 193/2000 featuring potential cross portfolio contamination effects. 4 of the initial 10 ANPC litigations are in progress, 4 cases were irrevocably won and other 2 irrevocably lost.
The Bank has recognized provisions for its potential obligation to reimburse the customers counterparty in such contracts who are likely to initiate litigations in the future. The provisions recognized represent the best estimate of potential economic outflows related to relevant accounts with clauses that might be assessed as allegedly abusive.
Given the fact that the amount recognized as provision is significant, it is reviewed semi-annually by the Bank in order to take account of the future trends in litigations, new court resolutions for litigations with clients for contracts which contain 'allegedly abusive clauses' (of ANPC type or not) and future changes in the relevant legislation.
As at December 2019, the Group recorded provisions for potential unfair terms included in contracts which contain 'allegedly abusive clauses' and which are not subject to a litigation file as at 31.12.2019 in total amount of RON 460.9 mil (December 2018: RON 467.2 mil). The decrease compared to last year was mainly due to active contracts closing.
Distinctly by the above mentioned provision, the Group established a provision for all pending cases having as object individual clients claims regarding allegedly abusive clauses. For individual claims, the Group has established a lower provision of RON 116.5 mil (December 2018: RON 139.2 mil) due to decrease in number of open cases.

(ii) The increase in the allocation of other provisions at Group level is mainly due to the event regarding the control of Court of Accounts at BpL described in Note 46 – Contingent liabilities and commitments. For Bank please see Note 30.

33. Provisions *(continued)*

Sensitivity analysis

Collective Provision for allegedly abusive amounts on active and closed loans	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
1. Show up parameter deviation only				
+10% deviation	46,096	46,720	45,668	46,295
-10% deviation	(46,096)	(46,720)	(45,668)	(46,295)
2. Win-loss parameter deviation only (for interest)				
-10% deviation	(46,096)	(46,720)	(45,668)	(46,295)

Movement in allowances for loan commitments and financial guarantees

2019 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing balance
							-
Stage 1	24,435	22,635	(11,347)	(1,423)	(3,817)	283	30,766
Stage 2	58,420	-	(18,488)	13,045	8,020	825	61,822
Defaulted	334,247	-	(131,903)	1,099	67,854	2,555	273,852
Total	**417,102**	**22,635**	**(161,738)**	**12,721**	**72,057**	**3,663**	**366,440**

2018 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	21,374	33,108	(12,486)	(11,381)	(5,707)	(473)	24,435
Stage 2	56,483	-	(19,746)	696	22,262	(1,275)	58,420
Defaulted	261,484	-	(140,118)	(3)	210,134	2,750	334,247
Total	**339,341**	**33,108**	**(172,350)**	**(10,688)**	**226,689**	**1,002**	**417,102**

2019 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	25,731	22,586	(11,347)	(1,423)	(4,940)	282	30,889
Stage 2	58,849	-	(18,488)	13,045	10,694	826	64,926
Defaulted	334,247	-	(131,903)	1,099	67,854	2,555	273,852
Total	**418,827**	**22,586**	**(161,738)**	**12,721**	**73,608**	**3,663**	**369,667**

2018 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between Stage 1 and Stages 2/3	Other changes in credit risk (net)	Exchange-rate and other changes (+/-)	Closing balance
Stage 1	21,263	33,058	(12,486)	(11,381)	(4,264)	(459)	25,731
Stage 2	56,482	-	(19,746)	712	22,691	(1,290)	58,849
Defaulted	261,484	-	(140,118)	(3)	210,134	2,750	334,247
Total	**339,229**	**33,058**	**(172,350)**	**(10,672)**	**228,561**	**1,001**	**418,827**

Movement in provisions (other than long term employee provisions)

2019 Group

in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing balance
Pending legal issues	679,672	24,866	-	(50,205)	-	3,393	657,726
Other provisions	11,212	897,820	(147,613)	(49,270)	-	(2,054)	710,095
Total provisions less long-term employee provisions	**690,884**	**922,686**	**(147,613)**	**(99,475)**	**-**	**1,339**	**1,367,821**

33. Provisions *(continued)*

						2018	Group
in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing balance
Pending legal issues	784,050	9,375	(608)	(113,660)	-	515	679,672
Other provisions	14,642	51,536	(36,162)	(19,201)	-	397	11,212
Total provisions less long-term employee provisions	**798,692**	**60,911**	**(36,770)**	**(132,861)**	**-**	**912**	**690,884**

						2019	Bank
in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing balance
Pending legal issues	647,077	-	-	(36,359)	-	3,430	614,148
Other provisions	10,763	558,290	(103,785)	(444,865)	-	4	20,407
Total provisions less long-term employee provisions	**657,840**	**558,290**	**(103,785)**	**(481,224)**	**-**	**3,434**	**634,555**

						2018	Bank
in RON thousands	Opening balance	Additions, includ. increases in exist. provisions (+)	Amounts used (-)	Unused amounts reversed during the period (-)	Changes in discounted amount	Exchange-rate and other changes (+/-)	Closing balance
Pending legal issues	744,220	-	-	(97,171)	-	28	647,077
Other provisions	11,744	52,472	(34,257)	(19,201)	-	5	10,763
Total provisions less long-term employee provisions	**755,964**	**52,472**	**(34,257)**	**(116,372)**	**-**	**33**	**657,840**

Movement in long term employee provisions

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Opening defined benefit obligation	43,702	42,617	43,588	42,503
Interest cost	2,012	1,848	2,012	1,848
Current service cost	4,013	3,973	4,013	3,973
Past service cost	(4,475)	(2,408)	(4,475)	(2,408)
Benefits paid	(510)	(1,286)	(487)	(1,286)
Actuarial (gains)/loss on obligations	2,134	(337)	2,134	(337)
effect of changes in financial assumptions	-	(799)	-	(799)
effect of experience adjustments	1,307	(1,538)	1,307	(1,538)
effect of demographic assumptions	827	2,000	827	2,000
Settlements gain	(1,526)	(705)	(1,526)	(705)
Total	**45,350**	**43,702**	**45,259**	**43,588**

According to the collective labour agreement, employees are entitled to one lump sum payment on the date of normal age retirement, of up to 4 gross monthly salaries (the Bank) and up to 2 gross monthly salaries (the subsidiaries), depending on seniority.

This is a defined benefit plan that defines an amount of benefit that an employee is entitled to receive on the date of normal age retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every year.

The plan liability is measured on an actuarial basis using the projected unit credit method. The defined benefit plan liability is discounted using rates equivalent to the market yields at the balance sheet date of government bonds that are denominated in the currency in which benefits will be paid and that have a maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of changes in equity.

33. Provisions *(continued)*

The principal assumptions used in determining the defined benefit obligation of the Group's plan are shown below:

	2019 %	2018 %
Discount rate	4.45%	4.70%
Future salary increases	2.80%	2.80%
Mortality rates	ROM-Anul 2013	ETTL-PAGLER
Disability rates	ETTL-PAGLER	ETTL-PAGLER

	Group		Bank	
Sensitivity analysis	**2019**	**2018**	**2019**	**2018**
Sensivity - Discount rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Discount rate decrease -	2,698	2,587	2,789	2,701
Impact on DBO: Discount rate increase +	(2,651)	(2,592)	(2,560)	(2,478)
Sensivity - Salary increase rate +/- %	0.50%	0.50%	0.50%	0.50%
Impact on DBO: Salary decrease rate -	(2,703)	(2,647)	(2,612)	(2,533)
Impact on DBO: Salary increase rate +	2,730	2,625	2,821	2,739

The average duration of the defined benefit obligation at the end of the reporting period is 14.85 years.

The expected service cost for 2020 is RON 4,044 thousands for the Bank.

34. Other liabilities

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Payables related to employee cost	147,297	141,882	137,691	134,020
Taxes payable other than on income (i)	66,342	19,067	60,716	12,076
Sundry creditors (ii)	98,381	42,902	56,748	13,770
Deferred income	34,545	36,387	34,189	32,084
Other liabilities	5,892	6,649	3,896	1,892
Total	**352,457**	**246,887**	**293,240**	**193,842**

(i) Taxes payable increased due to banking tax (see Note 13).
(ii) Sundry creditors increased mainly due to advances received from selling of the properties.

35. Issued capital

The statutory share capital of the Bank as at 31 December 2019 is represented by 16,253,416,254 ordinary shares (equal voting rights) of RON 0.10 each (31 December 2018: 16,253,416,254 ordinary shares of RON 0.10 each). The shareholders of the Bank are as follows:

	2019		2018	
in RON thousands	**Number of shares**	**Percentage holding (%)**	**Number of shares**	**Percentage holding (%)**
Erste Group Bank AG	16,233,523,442	99.8776%	16,233,523,442	99.8776%
Societatea de Investitii Financiare ("SIF") „Banat Crisana"	1	0.0000%	1	0.0000%
Societatea de Investitii Financiare ("SIF") „Muntenia"	1	0.0000%	1	0.0000%
SC Actinvest SA	226,802	0.0014%	226,802	0.0014%
FDI Certinvest Dinamic	13,699	0.0001%	13,699	0.0001%
BCR Leasing SA	109	0.0000%	109	0.0000%
Individuals	19,652,200	0.1209%	19,652,200	0.1209%
Total	**16,253,416,254**	**100.0000%**	**16,253,416,254**	**100.0000%**

During 2019, no changes in shareholders' structure occurred.

The effect of hyperinflation on the share capital of the Bank is presented below:

in RON thousands	**2019**	**2018**
Share capital before the effect of hyperinflation	1,625,342	1,625,342
IAS 29 hyperinflation adjustment recorded in prior years (i.e. until 31 December 2003)	1,327,223	1,327,223
Share capital	**2,952,565**	**2,952,565**

36. Segment reporting

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Bank is organized into the following business segments:

A. Retail

The Group provides individuals and micro clients with a range of financial products and services, including lending (consumer loans, vehicles purchase, personal needs, mortgages, overdrafts, credit cards facilities and funds transfer facilities), savings and deposit taking business, payment services and securities business.

B. Corporate

Within corporate banking, the Group provides corporations, real estate and large corporate clients with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions. Principal activity is of granting loans, other credit facilities, deposits, and current accounts for corporate and institutional customers, investment banking services and financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

The main Corporate segments are:

a. **SME**, comprising:

- companies with yearly turnover between EUR 1 mio - EUR 50 mio and a consolidated turnover < EUR 500 mio;
- companies part of a domestic group with at least one company with individual yearly turnover between EUR 1 mio - EUR 50 mio;
- companies part of an international group with at least one company with individual yearly turnover between EUR 1 mio - EUR 500 mio;
- companies with real estate financing for which total project value (including land acquisition, excluding VAT) is less than EUR 8 mio;
- companies with consolidated turnover between EUR 1 mio - EUR 3 mio, segmented as Small SME;
- international clients with more than 50% foreign capital participation, turnover between EUR10 mio - EUR 50 mio, or part of a group with consolidated turnover <EUR 500 mio.;
- companies having individual / consolidated turnover below EUR 1 mio.

b. **Public Sector (PS):**

Public Sector comprises Public sector, Public corporations clients and Non Profit sector.

Public sector includes the following institutions:

- central ministries and state funded funds and agencies;
- non-profit entities established by or under control of central government entities, state funded organizations, state universities or R&D institutions;
- regional governments and organizations funded by them;
- state capitals including city halls, regional capitals and other municipals and organizations funded by them. Exceptions: elementary and primary schools, high schools, kindergartens, small hospitals and libraries, which are segmented as Micro;
- public health and social insurance companies.

Public Corporations include:

- all non-financial state companies and corporations with more than 50% share of state or regional governments or municipals excluding stock exchange listed companies and State Owned Companies acting in Energy & Utilities industry with turnover > 50 mio EUR.

Non-profit Sector includes the following private non-profit companies:

- Central authorities of churches (archbishops, bishops, patriarchs, etc.);
- Country-wide labour unions;
- Political parties;
- Social Banking Customers who have social impact.

c. **Local Large Corporates (LLC)**

- companies with an yearly individual turnover above EUR 50 mio;
- companies part of a local or international group with at least one company having yearly turnover above EUR 50 mio;
- energy & Utilities State Owned Companies who meet the above described criteria, are independent of state subsidies and do not make the subject to public intervention in business stability.

36. Segment reporting *(continued)*

d. Group Large Corporates (GLC)

GLC clients are large corporate clients or client groups with an indicative consolidated annual turnover of at least EUR 500 mio. GLC clients cover following clients types in principle:

- companies with an yearly individual turnover above EUR 500 mio;
- companies with an annual turnover below EUR 500 mio, part of a group with a consolidated yearly turnover above EUR 500 mio, regardless of geographical location;
- listed and to be listed state owned companies.

e. Commercial Real Estate (CRE)

- companies that request financing of real estate projects with total project value > EUR 8 mio (including land acquisition, excluding VAT);
- investors in RE for the purpose of generating income from the rental of individual properties or portfolios of properties;
- developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale;
- asset management services;
- own development for business purpose;
- commercial Real Estate operating leasing and rental contracts, independently of the tenant (client).

Other corporate includes activities related to investment banking services and financial products and services.

Other banking segments:

C. ALM & Local Corporate Center:

- **Balance sheet management** - principally providing assets and liabilities management, funding and derivative transactions, investments and issuance of bonds operations;
- **Local Corporate Center** - unallocated items, items which do not belong to business lines and Free Capital.

D. Group Markets:

a. Trading (GMT): principally providing money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading.

b. Financial institutions (GMFI): companies that provide financial services for their clients or members and act as professional and active participant on financial markets for the purpose of proprietary trading or on behalf of their clients (banks, central banks, investment banks, investments funds, brokerages, insurance companies, pension funds, credit unions).

The business segment reporting format is the Group's basis of segment reporting. Transactions between business segments are conducted at arm's length.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise property and equipment, intangible assets, other assets and other liabilities and taxation.

The mapping of individual accounts by main line items of income and expenses, respectively assets and liabilities and equity, for purposes of segment reporting is done on an internal management approach, rather than an external financial reporting approach.

In order to split the Group results on business lines the following subsidiaries are allocated entirely on Retail segment: BCR Pensii SAFPP, Banca pentru Locuinte, Suport Colect and some of the consolidation adjustments; BCR Leasing and BCR Chisinau are allocated on Corporate. Intragroup eliminations and the rest of the consolidation adjustments are allocated on Corporate Center.

In geographical segmentation Erste Group shows BCR entirely under geographical area Romania. Furthermore, the only business done outside Romania is performed by BCR Chisinau, but the contribution to Balance Sheet and P&L is not material. There is no other geographical steering information used by BCR management.

Throughout the following tables related to Segment Reporting the net trading result includes the following positions presented in the statement of income:

- Net trading result;
- Result from financial assets and liabilities designated at fair value through profit or loss;
- Foreign currency translation.

36. Segment reporting *(continued)*

in RON thousands				2019	Group
	Group	Retail	Corporates	ALM & Local Corporate Center*	GM
Net interest income	2,256,271	1,500,004	614,311	126,591	15,365
Net fee and commission income	780,609	553,781	215,800	(22,243)	33,271
Dividend income	2,569	14,086	40	(11,557)	-
Net trading result	336,871	105,545	100,469	35,816	95,041
Gains/losses from non-trading financial instruments mandatorily measured at fair value through profit or loss	15,569	5,335	(515)	10,749	-
Net result from equity method investments	(390)	-	-	(390)	-
Rental income from investment properties and other operating leases	98,919	-	93,547	5,372	-
General Administrative expenses	(1,703,462)	(1,277,444)	(346,722)	(57,711)	(21,585)
Gains/losses from derecognition of financial assets measured at amortised cost	(485)	-	20	(505)	-
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	(29,413)	-	-	(29,413)	-
Net impairment loss on financial instruments	61,816	(232,986)	277,123	15,444	2,235
Other operating result	(923,113)	(794,217)	(94,412)	(31,499)	(2,985)
Levies on banking activities	(52,003)	-	-	(52,003)	-
Pre-tax result from continuing operations	**895,761**	**(125,896)**	**859,661**	**40,654**	**121,342**
Net profit of the year	**895,761**	**(125,896)**	**859,661**	**40,654**	**121,342**
Taxes on income	(302,495)	(98,847)	(141,207)	(43,026)	(19,415)
Net result for the period	**593,266**	**(224,743)**	**718,454**	**(2,372)**	**101,927**
Net result attributable to non-controlling interests	6	-	-	6	-
Net result attributable to owners of the parent	**593,260**	**(224,743)**	**718,454**	**(2,378)**	**101,927**
Operating income	3,490,418	2,178,751	1,023,652	144,338	143,677
Operating expenses	(1,703,462)	(1,277,444)	(346,722)	(57,711)	(21,585)
Operating result	**1,786,956**	**901,307**	**676,930**	**86,627**	**122,092**
Cost income ratio	48.80%	58.63%	33.87%	39.98%	15.02%

* All intercompany eliminations are included in the Local Corporate Center

in RON thousands				2018	Group
	Group	Retail	Corporates	ALM & Local Corporate Center*	GM
Net interest income	2,047,195	1,408,382	619,011	4,518	15,284
Net fee and commission income	706,814	567,176	203,788	(93,723)	29,573
Dividend income	3,731	-	-	3,731	-
Net trading result	428,362	150,310	98,227	60,452	119,373
Gains/losses from non-trading financial instruments mandatorily measured at fair value through profit or loss	18,429	-	5,569	12,860	-
Net result from equity method investments	2,651	-	-	2,651	-
Rental income from investment properties and other operating lease	78,388	-	73,347	5,041	-
General Administrative expenses	(1,650,172)	(1,232,422)	(362,297)	(26,458)	(28,995)
Gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss, net	2,221	-	-	2,221	-
Net impairment loss on financial instruments	(121,217)	24,403	(167,314)	22,751	(1,057)
Other operating result	(87,920)	34,091	(25,678)	(94,302)	(2,031)
Pre-tax result from continuing operations	**1,428,482**	**951,940**	**444,653**	**(100,258)**	**132,147**
Taxes on income	(226,219)	(155,370)	(64,393)	14,688	(21,144)
Net result for the period	**1,202,263**	**796,570**	**380,260**	**(85,570)**	**111,003**
Attributable to non-controlling interests	10	-	-	10	-
Attributable to owners of the parent	**1,202,253**	**796,570**	**380,260**	**(85,580)**	**111,003**
Operating income	3,285,570	2,125,868	999,942	(4,470)	164,230
Operating expenses	(1,650,172)	(1,232,422)	(362,297)	(26,458)	(28,995)
Operating result	**1,635,398**	**893,446**	**637,645**	**(30,928)**	**135,235**
Cost income ratio	50.22%	57.97%	36.23%	(591.90%)	17.66%

* All intercompany eliminations are included in the Local Corporate Center

36. Segment reporting *(continued)*

in RON thousands				2019	Group
	Group	Retail	Corporates	ALM & Local Corporate Center*	GM
Assets					
Cash and cash balances	9,006,518	4,151,699	385,804	4,469,015	-
Financial assets held for trading	429,356	-	66	35,881	393,409
Derivatives	40,100	-	66	35,881	4,153
Other financial assets held for trading	389,256	-	-	-	389,256
Non-trading financial assets mandatorily at fair value through profit or loss	93,872	32,451	3,815	57,606	-
Equity instruments	40,388	32,451	253	7,684	-
Debt securities	49,922	-	-	49,922	-
Loans and advances to customers	3,562	-	3,562	-	-
Financial assets at fair value through other comprehensive income	6,117,844	-	1,942	6,115,902	-
Debt securities	6,117,844	-	1,942	6,115,902	-
Financial assets at amortised cost	54,899,081	26,166,885	15,188,735	13,454,524	88,937
Debt securities	15,735,188	1,205,824	337,740	14,191,624	-
Loans and advances to banks	661,437	1,398,123	801	(823,697)	86,210
Loans and advances to customers	38,502,456	23,562,938	14,850,194	86,597	2,727
Finance lease receivables	1,117,933	-	1,141,399	(23,466)	-
Property and equipment	937,267	5,246	486,462	445,559	-
Investment property	161,181	-	-	161,181	-
Intangible assets	359,085	4,132	6,314	348,639	-
Investments in joint ventures and associates	24,553	-	-	24,553	-
Current tax assets	238,752	2,215	609	235,928	-
Deferred tax assets	183,857	356	9,525	173,976	-
Assets held for sale	646,396	-	-	646,396	-
Trade and other receivables	425,060	8,479	305,663	97,285	13,633
Other assets	297,604	79,121	100,893	117,590	-
Total assets	**74,938,359**	**30,450,584**	**17,631,227**	**26,360,569**	**495,979**
Liabilities and Equity					
Financial liabilities held for trading	73,498	-	-	67,068	6,430
Derivatives	73,498	-	-	67,068	6,430
Financial liabilities measured at amortised cost	63,678,655	39,594,711	19,441,047	2,131,660	2,511,237
Deposits from banks	1,266,201	66,572	2,364,830	(2,225,584)	1,060,383
Borrowings and financing lines	2,105,646	-	-	2,105,646	-
Deposits from customers	57,791,780	39,450,395	16,993,625	(84,647)	1,432,407
Debt securities issued	784,402	-	-	784,402	-
Subordinated loans	1,067,313	-	-	1,067,313	-
Other financial liabilities	663,313	77,744	82,592	484,530	18,447
Finance lease liabilities	327,050	320	34,788	291,942	-
Provisions	1,779,611	1,322,421	365,231	91,352	607
Current tax liabilities	2,882	-	2,816	66	-
Deferred tax liabilities	8,303	8,303	-	-	-
Liabilities associated with assets held for sale	244,193	-	-	244,193	-
Other liabilities	352,457	14,328	52,108	286,021	-
Total equity	**8,471,710**	**2,609,329**	**2,336,326**	**3,459,896**	**66,159**
Total liabilities and equity	**74,938,359**	**43,549,412**	**22,232,316**	**6,572,198**	**2,584,433**

* All intercompany eliminations are included in the Local Corporate Center

36. Segment reporting *(continued)*

in RON thousands				2018	Group
	Group	Retail	Corporates	ALM & Local Corporate Center*	GM
Assets					
Cash and cash balances	11,123,191	5,517,931	159,153	5,446,107	-
Financial assets held for trading	213,965	-	(1,692)	27,832	187,825
Derivatives	31,062	-	(1,692)	27,832	4,922
Other financial assets held for trading	182,903	-	-	-	182,903
Non-trading financial assets mandatorily at fair value through profit or loss	39,395	-	6,162	33,233	-
Equity instruments	33,475	-	243	33,232	-
Loans and advances to customers	5,920	-	5,919	1	-
Financial assets at fair value through other comprehensive income	5,222,081	-	41,079	5,181,002	-
Equity investments	40,721	-	-	40,721	-
Debt securities	5,181,360	-	41,079	5,140,281	-
Financial assets at amortised cost	50,843,219	24,293,222	13,280,180	13,186,757	83,060
Debt securities	15,879,108	1,524,360	307,348	14,047,400	-
Loans and advances to banks	123,840	1,094,050	334	(1,050,781)	80,237
Loans and advances to customers	34,840,271	21,674,812	12,972,498	190,138	2,823
Finance lease receivables	990,868	-	1,020,428	(29,560)	-
Property and equipment	1,169,260	1,408	407,102	760,750	-
Investment properties	162,806	-	-	162,806	-
Intangible assets	361,898	3,055	4,736	354,107	-
Investments in associates	20,027	-	-	20,027	-
Tax assets	181,800	2,592	386	178,822	-
Deferred tax assets	202,165	704	8,728	192,733	-
Assets held for sale	161,114	-	-	161,114	-
Trade and other receivables	563,014	19,361	379,842	116,470	47,341
Other assets	275,502	57,530	82,413	135,559	-
Total assets	**71,530,305**	**29,895,803**	**15,388,517**	**25,927,759**	**318,226**
Liabilities					
Financial liabilities held for trading	32,988	-	254	27,790	4,944
Derivatives	32,988	-	254	27,790	4,944
Financial liabilities measured at amortised cost	61,618,808	37,499,591	18,140,605	3,536,211	2,442,401
Deposits from banks	2,127,723	228,431	2,083,200	(777,398)	593,490
Borrowings and financing lines	2,408,375	-	-	2,408,375	-
Deposits from customers	55,098,959	37,205,424	16,013,604	46,881	1,833,050
Debt securities issued	349,153	-	-	349,153	-
Subordinated loans	1,041,982	-	-	1,041,982	-
Other financial liabilities	592,616	65,736	43,801	467,218	15,861
Provisions	1,151,688	497,061	411,704	242,457	466
Current tax liabilities	97,782	-	662	97,120	-
Liabilities associated with disposal groups held for sale	15,438	-	-	15,438	-
Other Liabilities	246,887	17,570	29,799	199,518	-
Total equity	**8,366,714**	**2,631,708**	**2,111,887**	**3,561,444**	**61,675**
Total liabilities and equity	**71,530,305**	**40,645,930**	**20,694,911**	**7,679,978**	**2,509,486**

* All intercompany eliminations are included in the Local Corporate Center

36. Segment reporting *(continued)*

in RON thousands				2019	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Net interest income	2,139,209	1,469,038	529,767	125,039	15,365
Net fee and commission income	747,972	525,591	211,293	(22,183)	33,271
Dividend income	15,994	14,086	-	1,908	-
Net trading result	332,485	105,724	95,483	36,237	95,041
Gains/losses from non-trading financial instruments mandatorily measured at fair value through profit or loss	15,569	5,335	(515)	10,749	-
Rental income from investment properties and other operating leases	11,158	-	-	11,158	-
General Administrative expenses	(1,593,961)	(1,236,931)	(276,536)	(58,909)	(21,585)
Gains/losses from derecognition of financial assets measured at amortised cost	(485)	-	20	(505)	-
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	(29,413)	-	-	(29,413)	-
Net impairment loss on financial instruments	6,273	(243,698)	298,362	(50,626)	2,235
Other operating result	(705,238)	(35,333)	(38,632)	(628,288)	(2,985)
Levies on banking activities	(52,003)	(28,114)	(21,048)	(2,649)	(192)
Pre-tax result from continuing operations	**939,563**	**603,812**	**819,242**	**(604,833)**	**121,342**
Net profit of the year	**939,563**	**603,812**	**819,242**	**(604,833)**	**121,342**
Taxes on income	**(287,654)**	**(96,610)**	**(131,078)**	**(40,551)**	**(19,415)**
Net result for the period	**651,909**	**507,202**	**688,164**	**(645,384)**	**101,927**
Net result attributable to non-controlling interests	-	-	-	-	-
Net result attributable to owners of the parent	**651,909**	**507,202**	**688,164**	**(645,384)**	**101,927**
Operating income	3,262,387	2,119,774	836,028	162,908	143,677
Operating expenses	(1,593,961)	(1,236,931)	(276,536)	(58,909)	(21,585)
Operating result	**1,668,426**	**882,843**	**559,492**	**103,999**	**122,092**
Cost income ratio	48.86%	58.35%	33.08%	36.16%	15.02%

in RON thousands				2018	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Net interest income	1,946,477	1,385,861	540,264	5,068	15,284
Net fee and commission income	673,853	523,756	201,379	(80,855)	29,573
Dividend income	11,684	-	-	11,684	-
Net trading result	420,776	150,340	90,467	60,596	119,373
Gains/losses from non-trading financial instruments mandatorily measured at fair value through profit or loss	18,429	-	5,569	12,860	-
Rental income from investment properties and other operating lease	11,045	-	-	11,045	-
General Administrative expenses	(1,511,082)	(1,192,882)	(269,731)	(19,474)	(28,995)
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	2,221	-	-	2,221	-
Net impairment loss on financial instruments	(122,361)	13,940	(152,977)	17,733	(1,057)
Other operating result	(260,487)	33,557	(14,393)	(277,620)	(2,031)
Pre-tax result from continuing operations	**1,190,555**	**914,572**	**400,578**	**(256,742)**	**132,147**
Taxes on income	(220,108)	(148,104)	(64,093)	13,233	(21,144)
Net result for the period	**970,447**	**766,468**	**336,485**	**(243,509)**	**111,003**
Operating income	3,082,264	2,059,957	837,679	20,398	164,230
Operating expenses	(1,511,082)	(1,192,882)	(269,731)	(19,474)	(28,995)
Operating result	**1,571,182**	**867,075**	**567,948**	**924**	**135,235**
Cost income ratio	49.03%	57.91%	32.20%	95.47%	17.66%

36. Segment reporting *(continued)*

in RON thousands				2019	Bank
	Bank	**Retail**	**Corporates**	**ALM & Local Corporate Center**	**GM**
Assets					
Cash and cash balances	8,724,971	4,137,355	-	4,587,616	-
Financial assets held for trading	429,356	-	66	35,881	393,409
Derivatives	40,100	-	66	35,881	4,153
Other financial assets held for trading	389,256	-	-	-	389,256
Non-trading financial assets mandatorily at fair value through profit or loss	93,620	32,451	3,562	57,607	-
Equity instruments	40,136	32,451	-	7,685	-
Debt securities	49,922	-	-	49,922	-
Loans and advances to customers	3,562	-	3,562	-	-
Financial assets at fair value through other comprehensive income	6,115,902	-	-	6,115,902	-
Debt securities	6,115,902	-	-	6,115,902	-
Financial assets at amortised cost	53,019,313	23,359,066	14,035,121	15,536,189	88,937
Debt securities	14,422,788	-	231,163	14,191,625	-
Loans and advances to banks	661,086	-	-	574,876	86,210
Loans and advances to customers	37,935,439	23,359,066	13,803,958	769,688	2,727
Finance lease receivables	3,399	-	-	3,399	-
Property and equipment	837,505	-	-	837,505	-
Investment property	161,181	-	-	161,181	-
Intangible assets	348,582	-	-	348,582	-
Investments in joint ventures and associates	17,035	-	-	17,035	-
Current tax assets	235,928	-	-	235,928	-
Deferred tax assets	172,780	-	-	172,780	-
Assets held for sale	210,704	-	-	210,704	-
Trade and other receivables	408,778	4,616	284,510	106,019	13,633
Investments in subsidiaries	488,077	159,805	-	328,272	-
Other assets	173,821	20,520	264	153,037	-
Total assets	**71,440,952**	**27,713,813**	**14,323,523**	**28,907,637**	**495,979**
Liabilities and Equity					
Financial liabilities held for trading	73,498	-	-	67,068	6,430
Derivatives	73,498	-	-	67,068	6,430
Financial liabilities measured at amortised cost	61,395,958	37,702,362	16,570,391	4,611,968	2,511,237
Deposits from banks	2,534,084	572	189	1,472,940	1,060,383
Borrowings and financing lines	572,786	-	-	572,786	-
Deposits from customers	55,775,424	37,629,009	16,502,468	211,540	1,432,407
Debt securities issued	784,402	-	-	784,402	-
Subordinated loans	1,067,313	-	-	1,067,313	-
Other financial liabilities	661,949	72,781	67,734	502,987	18,447
Finance lease liabilities	323,721	-	-	323,721	-
Provisions	1,049,481	600,795	351,355	96,724	607
Other liabilities	293,240	-	-	293,240	-
Total equity	**8,305,054**	**2,408,151**	**2,056,247**	**3,774,497**	**66,159**
Total liabilities and equity	**71,440,952**	**40,711,308**	**18,977,993**	**9,167,218**	**2,584,433**

36. Segment reporting *(continued)*

in RON thousands				2018	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash balances	10,862,852	5,380,922	-	5,481,930	-
Financial assets held for trading	214,092	-	(1,692)	27,959	187,825
Derivatives	31,189	-	(1,692)	27,959	4,922
Other financial assets held for trading	182,903	-	-	-	182,903
Non-trading financial assets mandatorily at fair value through profit or loss	39,152	-	5,919	33,233	-
Equity instruments	33,232	-	-	33,232	-
Loans and advances to customers	5,920	-	5,919	1	-
Financial assets at fair value through other comprehensive income	5,187,019	-	6,017	5,181,002	-
Equity investments	40,721	-	-	40,721	-
Debt securities	5,146,298	-	6,017	5,140,281	-
Financial assets at amortised cost	48,732,568	21,459,697	12,315,535	14,874,276	83,060
Debt securities	14,297,905	-	250,504	14,047,401	-
Loans and advances to banks	388,848	-	-	308,611	80,237
Loans and advances to customers	34,045,815	21,459,697	12,065,031	518,264	2,823
Property and equipment	760,646	-	-	760,646	-
Investment properties	162,806	-	-	162,806	-
Intangible assets	354,020	-	-	354,020	-
Investments in joint ventures and associates	7,509	-	-	7,509	-
Current tax assets	178,822	-	-	178,822	-
Deferred tax assets	197,061	-	-	197,061	-
Assets held for sale	117,699	-	-	117,699	-
Trade and other receivables	543,179	17,165	361,554	117,119	47,341
Investments in subsidiaries	403,152	-	-	403,152	-
Other assets	148,677	-	-	148,677	-
Total assets	**67,909,254**	**26,857,784**	**12,687,333**	**28,045,911**	**318,226**
Liabilities and Equity					
Financial liabilities held for trading	32,988	-	(18)	28,062	4,944
Derivatives	32,988	-	(18)	28,062	4,944
Financial liabilities measured at amortised cost	58,326,984	34,844,050	15,798,007	5,242,526	2,442,401
Deposits from banks	3,076,973	600	163	2,482,720	593,490
Borrowings and financing lines	672,249	-	-	672,249	-
Deposits from customers	52,593,690	34,781,169	15,759,764	219,707	1,833,050
Debt securities issued	349,153	-	-	349,153	-
Subordinated loans	1,041,982	-	-	1,041,982	-
Other financial liabilities	592,937	62,281	38,080	476,715	15,861
Provisions	1,120,255	465,661	409,905	244,223	466
Current tax liabilities	97,110	-	-	97,110	-
Other Liabilities	193,842	-	-	193,842	-
Total equity	**8,138,075**	**2,555,461**	**1,846,141**	**3,674,421**	**62,052**
Total liabilities and equity	**67,909,254**	**37,865,172**	**18,054,035**	**9,480,184**	**2,509,863**

37. Return on assets and turnover information

Return on assets (net profit for the year divided by average total assets) was:

	Group		Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Return on assets	**0.82%**	**1.67%**	**0.95%**	**1.41%**

The return on assets is calculated based on monthly average total assets.

The Bank applies the stipulations of NBR Regulation 5/2013 regarding prudential requirements for credit institutions.

The consolidated turnover for the financial exercise ended 31 December 2019 amounts to RON 4,272,269 thousands (2018: RON 4,094,522 thousands) and is calculated and presented in compliance with Article 644 of the above mentioned regulation.

38. Leases

Leases where the Group is a lessor

a) Finance leases

The Group acts as a lessor under finance leases through the subsidiary BCR Leasing IFN SA, mainly on motor vehicles and equipment. The leases are mainly denominated in EUR and typically run for a period of between 1-7 years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease based on fixed and variable (mainly based on EURIBOR) interest rates. The receivables are secured by the underlying assets and by other collateral.

For finance lease receivables included in this item, the reconciliation of the gross investment in leases to the present value of the minimum lease payments is as follows:

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Total amount of outstanding lease payments receivables	1,257,832	1,145,998	3,685	-
Gross investment	**1,257,832**	**1,145,998**	**3,685**	**-**
Total amount of related unearned finance income from lease agreements	(101,026)	(133,162)	(286)	-
Net investment	**1,156,806**	**1,012,836**	**3,399**	**-**
Present value of outstanding lease payments	**1,156,806**	**1,012,836**	**3,399**	**-**

The residual maturity analysis of gross investment in leases and present values of minimum lease payments under non-cancellable leases is as follows:

Maturity analysis of finance leases by residual maturities under IFRS 16

	Gross investment	Present value of outstanding lease
Group	**31.12.2019**	**31.12.2019**
< 1 year	499,224	420,700
1-2 years	347,996	340,305
2-3 years	229,968	224,792
3-4 years	129,995	125,113
4-5 years	43,893	39,790
> 5 years	6,756	6,106
Total	**1,257,832**	**1,156,806**

	Gross investment	Present value of outstanding lease payments
Bank	**31.12.2019**	**31.12.2019**
< 1 year	467	431
1-2 years	514	474
2-3 years	524	484
3-4 years	525	484
4-5 years	530	489
> 5 years	1,125	1,037
Total	**3,685**	**3,399**

Maturity analysis of leases by residual maturities under IAS 17 for the Group

	2018
< 1 year	350,581
1-5 years	648,526
> 5 years	13,729
Total	**1,012,836**

38. Leases *(continued)*

b) Operating leases

Under operating leases, BCR Group lease both real estate and movable property to other parties.

Minimum lease receivable from non-cancellable operating leases, from the view of BCR Group and Bank as lessor, were as follows:

Maturity analysis of lease payments from operating leases under IFRS 16

	Group	Bank
	31.12.2019	31.12.2019
< 1 year	117,356	9,196
1-2 years	95,721	7,348
2-3 years	66,774	5,387
3-4 years	43,758	3,284
4-5 years	24,254	2,124
> 5 years	58,042	6,129
Total	**405,905**	**33,468**

Minimum lease payments from non-cancellable operating leases under IAS 17

	Group	Bank
	2018	2018
< 1 an	100,197	1,488
1-5 ani	192,313	4,550
> 5 ani	64,428	1,788
Total	**356,938**	**7,826**

Leases where the Group is a lessee

Minimum lease payments from non-cancellable operating leases, from the view of BCR Group and Bank as lessee, were as follows:

Maturity analysis of lease liabilities under IFRS 16

	Group	Bank
Undiscounted maturity analysis of lease liabilities	31.12.2019	31.12.2019
< 1 year	62,539	60,760
1-5 years	275,887	270,388
> 5 years	43,731	43,731
Total	**382,157**	**374,879**

During 2019, interest expenses on lease liabilities were recognised in the amount of RON 20,229 thousand at Group level and RON 21,233 thousand for the Bank.

Minimum lease payments from non-cancellable operating leases under IAS 17

	Group	Bank
	2018	2018
< 1 year	65,149	59,339
1-5 years	257,487	241,338
> 5 years	64,796	61,588
Total	**387,432**	**362,265**

39. Related-party transactions and principal shareholders

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2019 and 2018 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Transactions with parent

All transactions were carried out at market conditions.

Transactions with management

The Group entered into a number of banking transactions with the management in the normal course of business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. This includes the members of the Supervisory Board, Executive Committee and executive management.

These transactions were carried out on commercial terms and conditions and at market rates.

Remuneration paid related to key management personnel is presented in note 9.

Transactions with subsidiaries

The Bank holds investments in subsidiaries with whom it entered into a number of banking transactions in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates.

Transactions with other related parties

The Group considers the following additional related parties: entities in which the Group owns participations, entities in which the parent or other controlling entities either have control or have participations, companies in which key management personnel have direct or indirect interests, and close family members of key management personnel.

Terms and conditions

In relation to related parties, the accounts have the following characteristics:

Current accounts were opened between September 2006 and December 2019 and the interest rate is 0%.

Loans and advances accounts were opened between September 2005 and November 2019, maturing between March 2020 and April 2043, the interest rate is between 3.5-6.45% for loans and 15-28% for credit cards - fixed interest and 1.2-12.2% for loans and 5.59-17.59% for credit cards variable interest.

Term deposits were opened between July 2007 and December 2019, maturing between January 2020 and December 2021, and the interest rate is fixed between 0.01-3.3% depending on the currency and maturity of the deposit.

Loans commitments, financial guarantees and other commitments given includes revocable and irrevocable letters of guarantee, undrawn commitments for loans and credit cards granted in RON, EUR or USD. The BCR issued a risk participation agreement with one of its subsidiary which cover credit risk for some of subsidiary's major clients.
Loan commitments, financial guarantees and other commitments received include letters of guarantee received from parent company.

39. Related-party transactions and principal shareholders *(continued)*

The following transactions were carried out with related parties:

Balances and off-balace exposures with related parties — **Group**

in RON thousands	2019 Parent	2019 Associates	2019 Key management personnel	2019 Other related parties	2018 Parent	2018 Associates	2018 Key management personnel	2018 Other related parties
Total assets	**569,873**	**43,027**	**9,805**	**183,239**	**264,000**	**20,027**	**10,815**	**70,541**
Cash and cash equivalents	48,289	-	-	100,984	104,060	-	-	-
Derivative financial instruments	3,643	-	-	-	11,979	-	-	-
Equity investments	-	24,553	-	17,833	-	20,027	-	25,113
Loans and advances	491,117	18,474	9,802	34,408	111,636	-	10,778	41,397
Loans and advances with credit institutions	491,117	-	-	28,974	111,636	-	-	-
Loans and advances with customers	-	18,474	9,802	5,434	-	-	10,778	41,397
Trade and other receivables	26,824	-	2	4,669	36,325	-	-	4,024
Other assets	-	-	-	25,345	-	-	37	7
Total Liabilities	**2,512,348**	**44,018**	**9,312**	**169,369**	**4,073,146**	**18,952**	**8,508**	**170,170**
Deposits	2,433,879	44,018	9,307	127,565	4,037,234	18,899	8,503	136,934
Deposits by banks	273,134	-	-	3,641	1,599,582	-	-	4,590
Deposits by customers	-	44,018	9,307	123,924	-	18,899	8,503	132,344
Borrowings and financing lines	1,093,432	-	-	-	1,395,670	-	-	-
Subordinated loans	1,067,313	-	-	-	1,041,982	-	-	-
Derivative financial instruments	66,203	-	-	-	31,857	-	-	-
Other liabilities	12,266	-	5	41,804	4,055	53	5	33,236
Loans commitments, financial guarantees and other commitments given -Irrevocable [notional amount]	**30,668**	**-**	**481**	**70,338**	**14,184**	**-**	**412**	**20,463**
Loans commitments, financial guarantees and other commitments given -Revocabile [notional amount]	**-**	**31,563**	**-**	**82,583**	**-**	**-**	**-**	**147,736**
Loan commitments, financial guarantees and other commitments received	**238,965**	**-**	**-**	**-**	**947,638**	**-**	**-**	**-**
Derivatives [notional amount]	**5,946,763**	**-**	**-**	**-**	**5,961,350**	**-**	**-**	**-**

Related parties: expenses and income generated by transactions with related parties — **Group**

in RON thousands	2019 Parent	2019 Associates	2019 Key management personnel	2019 Other related parties	2018 Parent	2018 Associates	2018 Key management personnel	2018 Other related parties
Interest income	33,804	685	632	1,528	71,890	-	413	2,413
Interest expenses	(94,703)	(882)	(18)	(1,307)	(195,401)	(491)	(11)	(1,436)
Dividend income	-	926	-	1,009	-	-	-	1,971
Fee and commission income	3,528	183	37	102,138	5,575	2	42	101,403
Fee and commission expenses	(7,379)	(882)	-	(29,466)	(13,384)	(1,250)	-	(17,418)
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	(28,727)	-	-	-	-	-	-	-
Net impairment loss on financial instruments	(1,232)	(13)	-	(68)	1,049	-	-	-
Net trading results income/(expense)	56,379	-	56	2,968	172,757	-	-	-
Gains/losses from non-trading financial instruments mandatorily measured at fair value through profit or loss	-	-	-	6,144				
Other operating income	-	577	9	17,268	-	-	-	36,786
Other operating expense	(3)	-	(204)	(87,926)	(68)	-	-	(54,267)
Profit before tax income/(expense)	**(38,333)**	**594**	**512**	**12,289**	**42,418**	**(1,739)**	**444**	**69,452**

39. Related-party transactions and principal shareholders *(continued)*

Balances and off-balace exposures with related parties — **Bank**

in RON thousands	2019 Parent	2019 Subsidiaries	2019 Associates	2019 Key management personnel	2019 Other related parties	2018 Parent	2018 Subsidiaries	2018 Associates	2018 Key management personnel	2018 Other related parties
Total assets	**569,873**	**1,146,333**	**35,509**	**9,804**	**150,363**	**212,633**	**1,012,374**	**7,509**	**10,815**	**70,534**
Cash and cash equivalents	48,289	-	-	-	93,453	52,693	-	-	-	-
Derivative financial instruments	3,643	-	-	-	-	11,979	127	-	-	-
Equity investments*	-	499,977	17,035	-	17,833	-	410,408	7,509	-	25,113
Loans and advances	491,117	635,561	18,474	9,802	34,408	111,636	599,638	-	10,778	41,397
Loans and advances with credit institutions	491,117	1,392	-	-	28,974	111,636	271,512	-	-	-
Loans and advances with customers	-	634,169	18,474	9,802	5,434	-	328,126	-	10,778	41,397
Trade and other receivables	26,824	63	-	2	4,669	36,325	168	-	-	4,024
Right of use assets	-	2,075	-	-	-	-	-	-	-	-
Other assets	-	8,657	-	-	-	-	2,033	-	37	-
Total Liabilities	**1,641,365**	**1,532,930**	**44,018**	**9,312**	**163,532**	**2,912,158**	**1,135,219**	**18,952**	**8,508**	**170,039**
Deposits	1,562,896	1,520,185	44,018	9,307	127,565	2,876,246	1,126,375	18,899	8,503	136,934
Deposits by banks	273,134	1,274,023	-	-	3,641	1,597,426	953,549	-	-	4,590
Deposits by customers	-	246,162	44,018	9,307	123,924	-	172,826	18,899	8,503	132,344
Borrowings and financing lines	222,449	-	-	-	-	236,838	-	-	-	-
Subordinated loans	1,067,313	-	-	-	-	1,041,982	-	-	-	-
Derivative financial instruments	66,203	-	-	-	-	31,857	-	-	-	-
Finance lease liabilities	-	2,243	-	-	-	-	-	-	-	-
Other liabilities	12,266	12,745	-	5	35,967	4,055	8,844	53	5	33,105
Loans commitments, financial guarantees and other commitments given - Irrevocable [notional amount]	**30,668**	**43,270**	**-**	**481**	**70,338**	**14,184**	**19,763**	**-**	**412**	**20,463**
Loans commitments, financial guarantees and other commitments given - Revocabile [notional amount]	**-**	**328,618**	**31,563**	**-**	**82,583**	**-**	**296,120**	**-**	**-**	**147,736**
of which: defaulted	**-**	**-**	**-**	**-**	**-**	**-**	**2,772**	**-**	**-**	**-**
Loan commitments, financial guarantees and other commitments received	**238,965**	**-**	**-**	**-**	**-**	**233,195**	**-**	**-**	**-**	**-**
Derivatives [notional amount]	**5,946,763**	**-**	**-**	**-**	**-**	**5,961,350**	**74,156**	**-**	**-**	**-**
Accumulated impairment, accumulated changes in fair value due to credit risk and provisions on non-performing exposures	**-**	**66,939**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

*The amount includes the investment in CIT One reclassified as Asset held for sale in amount of RON 11,900 thousands in 2019 (RON 7,256 thousands in 2018).

Related parties: expenses and income generated by transactions with related parties — **Bank**

in RON thousands	2019 Parent	2019 Subsidiaries	2019 Associates	2019 Key management personnel	2019 Other related parties	2018 Parent	2018 Subsidiaries	2018 Associates	2018 Key management personnel	2018 Other related parties
Interest income	33,804	23,039	685	632	1,092	71,821	18,513	-	413	2,413
Interest expenses	(82,959)	(34,634)	(882)	(18)	(1,307)	(182,263)	(22,973)	(491)	(11)	(1,063)
Dividend income	-	12,538	926	-	1,009	-	7,953	-	-	1,971
Fee and commission income	3,528	6,135	183	37	102,138	5,567	7,452	2	42	101,403
Fee and commission expenses	(3,181)	(4)	(882)	-	(29,466)	(6,897)	(4)	(1,250)	-	(17,418)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(28,727)	-	-	-	-	-	-	-	-	-
Impairment of subsidiaries	-	(583,430)	-	-	-	-	(166,410)	-	-	-
Net impairment loss on financial instruments	(1,232)	(1,823)	(13)	-	(68)	1,049	(5,092)	-	-	-
Net impairment loss on non-performing exposures	-	(66,939)	-	-	-	-	-	-	-	-
Net trading results income/(expense)	56,379	(2,354)	-	56	2,968	172,757	350	-	-	-
Gains/losses from non-trading financial instruments mandatorily measured at fair value through profit or loss	-	-	-	-	6,144	-	-	-	-	-
Other operating income	-	9,799	577	9	13,293	-	5,531	-	-	35,628
Other operating expense	(3)	(76)	-	(204)	(80,662)	(68)	(420)	-	-	(53,653)
Profit before tax income/(expense)	**(22,391)**	**(637,749)**	**594**	**512**	**15,141**	**61,966**	**(155,100)**	**(1,739)**	**444**	**69,281**

40. Encumbered assets

	Group		Bank	
in RON thousands	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Financial assets at amortised cost	739,503	690,952	2,087,276	1,693,280
Financial assets at fair value through other comprehensive income	56,341	-	56,341	41,748
Total	**795,844**	**690,952**	**2,143,617**	**1,735,028**

On 31 December 2019, government bonds with a total book value of RON 795,844 thousands (31 December 2018: RON 690,592 thousands) have been used as pledge for funding received from International Financial Institutions and to ensure final settlement of interbank multilateral clearing operations according to NBR regulations for the settlement of transactions through ROCLEAR Bucharest, NBR's Clearing House, and VISA and MasterCard card transactions.
Encumbered assets include securities used for repo transactions (see further details in note 41) and securities pledged as collateral for various purposes, as described above.

41. Transfers of financial assets – repurchase transactions

41.1 Repurchase transactions

Transfer of financial assets – repurchase transactions were done within the Group, therefore eliminated at consolidated level.

				Group
in RON thousands	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
	31.12.2019		31.12.2018	
Repurchase agreements				
Financial assets at fair value through other comprehensive income	56,341	56,154	-	-
Financial assets at amortised cost	141,058	139,670	-	-
Total - repurchase agreements	**197,399**	**195,824**	**-**	**-**

				Bank
in RON thousands	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
	31.12.2019		31.12.2018	
Repurchase agreements				
Financial assets at fair value through other comprehensive income	56,341	56,154	41,748	39,740
Financial assets at amortised cost	1,488,832	1,402,395	1,002,328	909,404
Total - repurchase agreements	**1,545,173**	**1,458,549**	**1,044,076**	**949,144**

The transferred financial instruments consist of government bonds issued by Romania.

At Bank level, the total amount RON 1,545,173 thousands as at 31 December 2019 (RON 1,044,076 thousands at 31 December 2018) represents the carrying amount of financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledged.

At Group level, liabilities from repo transaction in the amount of RON 1,458,549 thousands as at 31 December 2019 (RON 949,144 thousands at 31 December 2018), which are measured at amortised cost, represent an obligation to repay the borrowed funds.

The following table shows fair values of the assets pledged and associated liabilities which have recourse only to the transferred assets. These assets and liabilities relate to repo transactions.

				Group
in RON thousands	Fair value of transferred assets	Fair value of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities
	31.12.2019		31.12.2018	
Financial assets at fair value through other comprehensive income	56,341	56,341	-	-
Financial assets at amortised cost	140,107	140,107	-	-
Total	**196,448**	**196,448**	**-**	**-**

41. Transfers of financial assets – repurchase transactions *(continued)*

41.1. Repurchase transactions *(continued)*

				Bank
in RON thousands	Fair value of transferred assets	Fair value of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities
	31.12.2019		31.12.2018	
Financial assets at fair value through other comprehensive income	56,341	56,341	-	-
Financial assets at amortised cost	1,446,727	1,446,727	1,006,213	964,465
Total	**1,503,068**	**1,503,068**	**1,006,213**	**964,465**

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities stay in hands of lender as collateral in case that borrower defaults in fulfilling any of its obligations.

Cash and non-cash financial collateral involved in these transactions is restricted from using it by the transferor during the time of the pledge. The carrying amount of assets pledged is included in note 40.

As at 31 December 2019, the Bank concluded a reverse repurchase transaction in amount of RON 426,234 thousands, with maturity until 06.01.2020. The Bank received as collateral a financial asset consisting in a bond issued by Société Générale SFH, having a fair value of RON 484,471 thousands. The Bank has the right to sell or repledge the asset in the absence of default situation of the owner of the collateral.

				Group
in RON thousands	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
	31.12.2019		31.12.2018	
Loans and advances to banks	426,234	484,471	50,004	55,315
Total	**426,234**	**484,471**	**50,004**	**55,315**

				Bank
in RON thousands	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
	31.12.2019		31.12.2018	
Loans and advances to banks	426,234	484,471	50,004	55,315
Total	**426,234**	**484,471**	**50,004**	**55,315**

41.2 Transferred financial assets that are derecognised in their entirety but where the Bank has continuing involvement

In 2016 and 2017, the Group sold two portfolios of loans to unrelated third parties. According to contractual clauses the Group has retained involvement in the transferred assets due to several clauses: put back clause that the buyer can exercise, contractual obligation for General Claim, and Indemnity, upside sharing that could be received by the Group after a certain level of profitability/collections would be realized by the buyer, call option of BCR to take back selected sold loans (only for litigation cases).

The portfolio called "Tokyo" sold in 2016 containing corporate receivables no longer presents retained involvement of the Group in the transferred assets as at 31 December 2019, because a debt settlement was signed in February 2019 and implemented by the parties for approx. RON 7 mn equivalent (covering all retained involvement clauses put back clauses, General claim requests, Cross-collaterals).

The portfolio called "Blue Lake" contained private individuals receivables with a total exposure of approx. RON 1,825 mn as of 28 February 2016 comprising both BCR and Suport Colect clients with secured and unsecured receivables. Regarding the purpose of the continuing involvement as at 31 December 2019 retained after transferring those assets, the following clauses are active:

- the upside sharing mechanism stipulating that after the buyer has recovered the total price investment and operating costs, and a certain level of profitability/collections would be realized by the buyer, BCR Group would receive from the buyer a share of the additional recoveries;
- considering that the portfolio contains private individual's debts, the customers may request the re-calculation of the debts, hence an Indemnity clause was negotiated and the related provisions are calculated on yearly basis, adjusted with the portfolio diminished cases. Contractually, BCR and Suport Colect ("SCO") have a contractual obligation to indemnify the buyer on future events deriving from risks related to allegedly abusive clauses, in connection to exposure sold;
- the period for General Claims has expired on December 2019 (period for buyer to notify BCR Group on the contracts subject to misrepresentations as at sale date), however it follows a period of for remedy or settlement extended to latest September 2021.

41.2 Transferred financial assets that are derecognised in their entirety but where the bank has continuing involvement *(continued)*

The BCR Group management of the inherent risks regarding the purpose of the continuing involvement as at 31 December 2019 for portfolio called Blue Lake includes:

- set up of provisions;
- the general claims are analyzed internally, some of them are rejected based on the contractual or business terms and assessments of risk claims provisions are made regularly;
- evaluation of the call option of BCR to take back selected sold loans: in case that after Closing any Receivables or Related Security becomes subject to a legal proceeding or other litigations, the Assignors shall be entitled at any time at its sole discretion and at its own cost and expense to buy-back the Affected Asset in exchange for the relevant Per-Item Price, net of any Receipts and Assignees' Receipts collected thereon. However, as at sale date it was assessed and documented that the sale achieves derecognition (in accordance with IAS 39 requirements), because the chances that assignors will exercise this option are close to nil, therefore not considered harmful for achieving the derecognition of the assets. This clause continues to be assessed by business as at 31.12.2019 with chances close to nil that assignors will exercise this option (no request in 3 years).

With regards to the contractual obligation for General Claim, and Indemnity, as at 31 December 2019:

a) The total claim amount is approx. RON 18.1 mn equivalent for BCR Group (approx. RON 8.1 mn equivalent for BCR). The amounts at risk are determined by considering the General Claims Notices.

b) maximum exposure to loss from Indemnity is RON 22.2 mn for BCR and, respectively, 23.3 for BCR Group. The amounts at risk are determined by considering two risk components:

- amounts probable to be paid to investors due to set-off risk. Is calculated based on the assumption of how much the loan exposure for the full perimeter may decrease due to negative rulings for litigations under consumer protection laws (that will lead to recalculation of accrued interest and commissions);
- amounts probable to be paid to investors due to cash back risk. Is calculated considering the maximum amounts that could be paid back to customers, assuming negative court rulings which will ask for repayment of all amounts allegedly overpaid under all loans in the perimeter, previous to the sale transaction.

In this respect the following amounts have been assessed by the Group as at 31 December :

- provisions booked as Other provisions, for the General Claim clause, in amount of RON 12.4 mn as at 31.12.2019 (31.12.2018: total provision of RON 16.8 mn out of which RON 9.8 mn was related to Blue Lake General Claim clause and RON 7 mn was related to the put back clause of the other portfolio sold in 2016 containing corporate receivables, settled in 2019);
- provisions booked as pending legal issue provisions, for the Indemnity clause, in amount of RON 21 mn as at 31.12.2019 (31.12.2018: RON 25 mn).

In this respect the following amounts have been assessed by Bank as at 31 December:

- provisions booked as Other provisions, for the General Claim clause, in amount of RON 7.31 mn as at 31.12.2019 (31.12.2018: total provision of RON 10.8 mn out of which RON 4.5 mn was related to Blue Lake General Claim clause and RON 6.3 mn was related to the put back clause of the other portfolio sold in 2016 containing corporate receivables, settled in 2019);
- provisions booked as pending legal issue provisions, for the Indemnity clause, in amount of RON 20.2 mn as at 31.12.2019 (31.12.2018: RON 24.2 mn).

Related to the upside sharing clause for recoveries to which the Group could be entitled after a certain level of profitability/collections would be realized by the buyer, no assets nor contingent assets are recognized as at 31 December 2019 because as at this date the Assignees have not recovered the total price investment and operating costs, and, thus, the contractual clause related to the upside sharing of recoveries that could be received by the Group after a certain level of profitability/collections would be realized by the buyer is not in force.

42. Risk management

Risk Management is embedded within the daily operation of the Bank, from strategy formulation and capital projects, through to operational planning and processes. In adopting this approach, the Bank provides a visible assurance of transparency and effective self-governance to stakeholders. At the same time the risk process assists the Bank in the planning of its resources, setting priorities, identifying opportunities, agreeing a relevant program of internal control and audit, and ensures that clear responsibility exists for the management of each area of risk.

42.1 Risk policy and risk strategy

The core function of the Bank is to take risks in a conscious and selective manner and to manage the risks professionally. The Group's proactive risk policy and risk strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity.

The Group uses a risk management and control system that is forward-looking and tailored to its business and risk profile. This system is based on a clear risk strategy that is consistent with the business strategy and focused on early identification and management of risks and trends. In addition to meeting the internal goal of effective and efficient risk management, The Group's risk management and control system has been developed to fulfil external and, in particular, regulatory requirements.

Given the Group's business strategy, the key risks for the Group are credit risk, market risk, operational risks, and liquidity risk. In addition, a risk materiality assessment is undertaken on an annual basis. It is ensured that all relevant material risks are covered by the Group's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of the group. The Bank always seeks to enhance and complement existing methods and processes in all areas of risk management.

In 2019, the management has continued to steer critical portfolios, including active management and sales of non-performing exposures, and further strengthening of the risk profile. This has been particularly demonstrated by the continuous improvement of the credit quality and the ongoing decrease of non-performing loans and risk costs. Management actions resulted in improved profitability, asset quality, lending and capital levels. In addition, emphasis was put on strengthening risk governance and ensuring compliance with regulatory requirements.

The Group uses the Internet as the medium for publishing its disclosures under NBR Regulation no. 5 / 2013 regarding prudential requirements for credit institutions and to Article 434 of the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - CRR). Details are available in the Disclosure Report on the website of the Group.

42.2 Risk governance structure

The Bank has developed a governance model based on a framework which ensures efficiently organized corporate governance. It also helps ensuring the Bank's stability and maintains the corporate governance standards and of business conduct.

The Risk Governance structure is presented below:

Supervisory Board

The Supervisory Board secures the supervision, manages and coordinates the Management Board activity and the compliance with the law and the BCR Charter provisions and the decisions of the General Meeting of Shareholders. The Supervisory Board functions based on its own Internal Rules.

The Risk and Compliance Committee of the Supervisory Board

The Risk and Compliance Committee assists the Supervisory Board in carrying out its attributions in relation to risk management and is a consultative entity which revises, reports to, counsels and assists the Supervisory Board in fulfilling attributions which fall in its responsibility in relation to risk management, compliance, financial crime and litigations and issues recommendations according to the authority limits established through the Internal Rules.

42. Risk management *(continued)*

42.2 Risk governance structure *(continued)*

The Audit Committee

The Audit Committee has a consultative role, as it was established in order to assist the Supervisory Board in carrying out its attributions, drafting recommendations within the limits of its competencies, according to its responsibilities and attributions provisioned in the Internal Rules, in relation to internal control and audit.

Management Board

The Management Board fulfils the management, according to the law and secures the operational management of the Bank and effective administration of the compliance risk, having responsibilities established by the applicable legislation and by the Management Board Internal Rules, approved by the Supervisory Board.

The Management Board is responsible for the overall risk strategy of the Bank, including the risk tolerance/risk appetite, as well as for the risk management framework.

Risk Committee of the Management Board

Risk Committee of Management Board is organized and works as analysis/ pre-approval/ approval body referring to the main subjects linked to risk administration, within the authority limits established through the Internal Rules and other specific internal regulations.

42.3 Risk management organization

Risk control and risk steering within the Group are performed based on the strategy and risk appetite approved by the Supervisory Board. Risk monitoring and control are achieved through a clear organizational structure with defined roles and responsibilities, delegated authorities and risk limits.

The management of retail and corporate credit risk, market risk, operational risk, liquidity as well as reputational risk and strategic risk, the assessment of collaterals and other risk related activities are consolidated under the Risk functional line. The Compliance Division, which is in charge with compliance risk is also reporting under Executive Vice President Risk Line and have a direct reporting line to the management bodys.

In these terms, risk management specialists are clearly delimited from an organizational point of view from the employees of the operational and support functions.

The Risk Management function is a central organizational function, structured so it can implement risk policies and control the risk management framework.

The main roles of the Risk Management function are:

- Ensures that all material risks are identified, measured and properly reported;
- Implements the Enterprise Risk Management principles and ensures that adequate and consistent risk management policies are developed and implemented for all material risks; and
- Ensures that the Bank has effective risk management processes in place by being involved the elaboration and review of the strategies, in the decision-making process, as well as in the risk monitoring process.

The Risk Management function performs regular reports both at individual material risk level and at bank-wide risk exposure level (i.e. complete view of the whole range of risks) to the Management Board, the Risk Committee of the Management Board, the Risk and Compliance Committee of the Supervisory Board and the Supervisory Board of the risk aspects that are considered within the decision making process of the Bank.

Reports include information on aspects such as:

- Risk exposures and their development;
- Key risk indicators evolution and specific limits;
- Results of the stress testing exercises.

42. Risk management *(continued)*

42.3 Risk management organization *(continued)*

The Risk Management function is consolidated under the Risk Functional Line, coordinated by the Chief Risk Officer (Vice-President) to which the following organizational units performing the risk management function are subordinated:

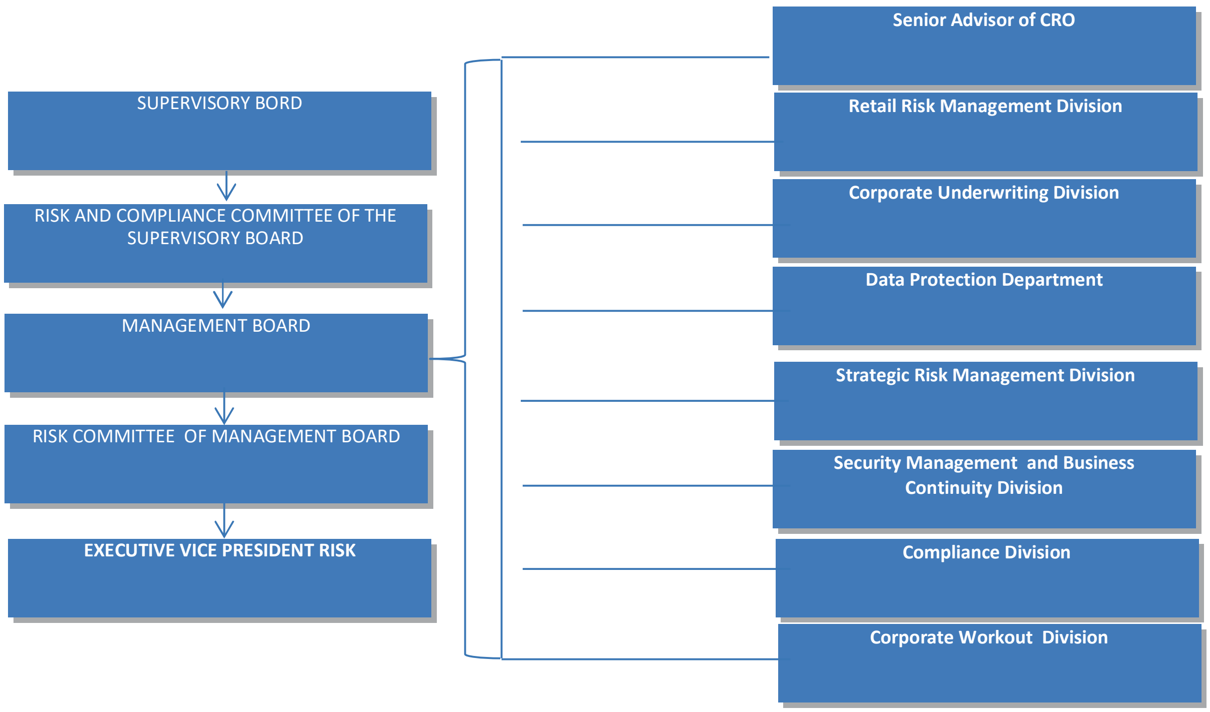

Figure : Organizational structure of Risk Management Function as of end 2019

42.4 Group-wide risk and capital management

The main purposes of the Group's capital management policies and practices are to support its business strategy and to ensure that it is sufficiently capitalised to withstand even severe macroeconomic downturns.

The Group considers the management of risk and capital to be among its core responsibilities and a key factor in providing a stable, high return to shareholders. The Group's capital management aims to ensure efficient use of capital to meet the Group's overall capital targets.

Enterprise-wide Risk Management (ERM) enables an increased focus on holistic risk management and ensures comprehensive, cross-risk Group-wide risk portfolio steering.

ERM drives key strategic cross-risk initiatives to establish greater cohesion between the risk strategy including the risk appetite and limit steering. ERM involves all risk functions and key divisions to strengthen risk oversight group-wide, covering capital (RWA and ICAAP), credit, liquidity (ILAAP), market, operational and other risks.

At the Bank level, Strategic Risk Management Division is responsible for the group's Internal Capital Adequacy Assessment Process (ICAAP) including the stress testing framework, and furthermore for the proper calculation of risk-weighted assets (RWA), risk portfolio steering with respect to material risks, risk planning and risk input into capital planning, risk appetite and limit management, as well as liquidity & market risk / operational risk steering.

As in prior years, the Group's risk management framework has been continuously strengthened. In particular, ERM has continued to strengthen its comprehensive framework. This includes as its fundamental pillar the Internal Capital Adequacy Assessment Process (ICAAP), as required under Pillar II of the Basel framework.

42. Risk management *(continued)*

42.4. Group-wide risk and capital management *(continued)*

The ERM framework is designed to support the Bank's management in managing the risk portfolios as well as the coverage potential to ensure that the Bank holds at all times adequate capital for the nature and magnitude of the Bank's risk profile. ERM is tailored to the Group's business and risk profile, and it reflects the strategic goal of protecting shareholders while ensuring the sustainability of the organization.

ERM is a modular and comprehensive management and steering system within the Group and is an essential part of the overall steering and management instruments. The ERM can be clustered as follows:

- Risk appetite statement, limits and risk strategy;
- Portfolio & risk analytics, including:
    - Risk materiality assessment,
    - Concentration risk management,
    - Stress testing
- Risk-bearing capacity calculation;
- Risk planning & forecasting, including:
    - Risk-weighted asset management,
    - Capital allocation
- Recovery / Contingency planning.

In addition to the ICAAP's ultimate goal of ensuring ongoing and prospective capital adequacy, the ERM serves to support the Bank's management in pursuing and achieving its strategy.

42.4.1 Risk appetite

The Group defines its Risk Appetite Statement (RAS) as part of the annual strategic planning process to ensure appropriate alignment of risk, capital and performance objectives and targets. The Group's RAS, as the absolute risks an institution is a priori open to take, represents a strategic statement expressing the aggregate level and types of risks the Group is willing to assume within its risk capacity, in line with its business model, to achieve its strategic objectives. It consists of a set of core strategic dimensions with corresponding metrics and targets that provide quantitative direction for risk steering and qualitative statements in the form of key risk principles that form part of the strategic guidelines for managing risks. The key objective of the RAS is to:

- ensure that the Group has sufficient resources to support its business at any given point in time and absorb stress events;
- set boundaries for the Group's risk-return target setting;
- support the Group's financial strength and the robustness of its systems and controls.

The setting of the Group risk appetite is forward-looking in order to foster risk return steering and ensure proactive management of the risk profile. External constraints such as regulatory requirements set the boundaries for the RAS and the amount of risk the Group is willing to accept. In order to ensure that the Group remains within the targeted risk profile a Red Amber Green system was established and assigned to the core metrics of the RAS. This approach allows a timely delivery of information to the relevant organizational structures and the implementation of timely and effective remediation measures. A pre-defined threshold describes a level or event which triggers an escalation to the designated organizational level and the discussion of potential remediation actions. The breaching of a pre-defined limit, initiates an immediate escalation to the designated organizational level and a prompt implementation of remediation actions.

Moreover, stress triggers are defined for selected core metrics and integrated into the assessment of the stress test results. They are reported as early warning signals to the management body to support proactive management of the risk profile.

42. Risk management *(continued)*

42.4. Group-wide risk and capital management *(continued)*

42.4.1. Risk appetite *(continued)*

In addition, strategic risk limits and principles are defined based on the Group RAS in the Group Risk Strategy. These limits and principles support the implementation of the mid to long term risk strategy. Risk management governance ensures full oversight over all risk decisions and the proper execution of the risk strategies. Risk mitigating actions are undertaken as part of the regular risk management process to ensure that the Group remains within its defined RAS.

The RAS horizon covers 5 years to ensure a stronger interplay with the other strategic processes such as long-term planning and budgeting. The Group RAS 2019 was pre-approved by both Management Board and the Risk Committee of the Management Board and approved by the Supervisory Board, as part of the increased role of the Supervisory Board in RAS setting and monitoring.

42.4.2 Portfolio and risk analytics

The Group uses dedicated infrastructure, systems and processes to actively identify, control and manage risks within the scope of the portfolio. Portfolio and risk analytics processes are designed to quantify, qualify and discuss risks in order to raise awareness to management in a timely manner.

42.4.3 Risk materiality assessment

The Group has implemented and continuously develops its risk materiality assessment framework. This process is not limited to the risk function and therefore various other organizational units are involved in order to ensure the comprehensiveness of the assessment. Such broad involvement improves the understanding of the sources of risk, clarifies how risks relate to specific business activities, and provides the best chances of identifying newly emerging risks.

The risk materiality assessment is an annual process with the purpose of systematically assessing new and assessing existing material risks for the Group. The process uses a combination of quantitative and qualitative factors in the assessment of eacht type of risk.

This assessment represents the starting point of the ICAAP process, as identified material risk types need to be considered either directly by allocating capital (or liquid assets) or indirectly through implementation of processes and control based measures within the ICAAP framework elements. Insights generated by the assessment are used to improve risk management practices and further mitigate risks within the Group. The assessment also serves as an input for the design and definition of the Group's Risk Strategy and Risk Appetite Statement.

42.4.4 Risk Profile

The risk profile is represented by the aggregated actual and potential risk exposures of the Group, represents a point-in-time assessment of the Group's gross risk exposures (i.e. before the application of any risk mitigants) or, as appropriate, net risk exposures (i.e. after taking into account mitigants) aggregated within and across each relevant risk category based on current or forward-looking assumptions. As part of its risk strategy, the Group analyses its actual risk profile and determines a target risk profile based on its strategic goals. The risk profile is a result of the risk assessment process in combination with the boundaries set by the business strategy and the risk appetite framework. The risk profile is a key input in setting the business objectives, policies, risk appetite and the internal control environment in the Group.

42.4.5 Risk concentration analysis

The Group's concentration risk management framework outlines the methods needed to identify, measure, monitor, and mitigate concentration risks. The implementation of such methods is essential to ensuring the long-term viability of any financial institution, especially in the case of stressed economic conditions. Concentration risk is addressed through the banks' comprehensive limit framework and specific concentration analyses.

42. Risk management *(continued)*

42.4. Group-wide risk and capital management *(continued)*

42.4.6 Stress testing

Stress testing is a key risk management tool which supports the Bank in taking a forward-looking view of its risk profile as well as in strategic, business, risk, capital and liquidity planning. In this sense, stress testing is a vital element of the Bank's (ERM) framework.

Stress testing the Bank's vulnerability to severe but plausible future deteriorations of the economic environment provides key insight in the sustainability and robustness of the Bank and helps by ensuring timely preparation and execution of contingency plans and mitigating actions.

Based on forward – looking severe macroeconomic scenarios, the Group performs a yearly comprehensive stress testing exercise which seeks to identify any potential vulnerabilities of the bank and provide further robustness to the measuring, steering and management system.

Reverse stress testing, which assesses scenarios and circumstances that would jeopardize the Bank's solvability, earnings and economic capital adequacy, complements the Bank's stress testing program. Unlike the comprehensive stress testing, reverse stress testing starts from an outcome of business failure and identifies under what circumstances this might occur, for the purpose of identifying possible combinations of risk events / concentrations.

Results of the stress testing program are further analysed particularly with regard to the bank's planning and budgeting process, risk materiality assessment or the risk-bearing capacity calculation.

42.4.7 Risk Capacity

Risk capacity (also known as risk-bearing capacity) represents the maximum level of risk the Group is able to assume given its capital base, its risk management and control capabilities, and its regulatory constraints. Risk capacity can be measured in terms of cash and cash equivalents to meet liquidity demands and in terms of capital and reserves to cover potential losses.

The Group defines the risk-bearing capacity as a prospective view of risk that is useful in establishing allocations of risk, capital or both to drive value for the shareholders and the organization as a whole. The risk capacity represents the limit beyond which a breach is likely to result in failure. The Group defines its risk capacity prior to framing strategy and setting its risk appetite.

Within the risk-bearing capacity calculation (RCC), the quantified risks are aggregated and compared to the risk coverage potential. The integral forecast, risk appetite as well as a traffic light system support management in its discussions and decision processes.

Based on the Group business and risk profile, the three main types of banking risks – credit risk, market risk and operational risk – are considered directly in the RCC. Additionally, other quantifiable material risks (which are not directly considered in RCC) identified through the Risk Materiality Assessment process are considered via capital allocations into RCC.

42.4.8 Risk planning and forecasting

Planning of risk relevant key numbers is also part of BCR Enterprise Risk Management framework and it assures the adequate reflection of risks within the steering and management process of the Group. Risk management and forecasting is used by the Group in strategic decision making. Implementing risk-based financial forecasts that link capital/liquidity adequacy to changes in macroeconomic conditions represents a powerful way to develop an understanding of risk.

The Group ensures that there is a strong link between the capital planning, budgeting and strategic planning processes. The risk planning and forecasting process includes both a forward- and backward-looking component, focusing on both portfolio and economic environment changes.

Key risk indicators covered by the Risk Planning framework include indicators that provide an overview of incurred or potential risks which contribute to overview of profitability and capital adequacy. Indicators include RWA (and related indicators), portfolio quality indicators (impairments, NPL/NPE and relevant performance indicators etc.), as well as indicators required by the regulatory authorities under the risks divisions responsibility.

42. Risk management *(continued)*

42.4. Group-wide risk and capital management *(continued)*

42.4.9 Risk-weighted asset management

As risk-weighted assets (RWA) determine the actual regulatory capital requirement of the Group and influence the capital adequacy ratio, particular emphasis is devoted to meet targets and to the planning and forecasting capacity for RWA. Insights from RWA analysis are used to improve the calculation infrastructure and the quality of input parameters and data as well as the most efficient application of the EU regulatory capital framework (Capital Requirements Regulation – CRR).

42.4.10 Risk monitoring and review

Risks exposures are dynamic and and therefore need to be monitored and reviewed in a timely and adequate manner.

Risks and the progress in implementing recommendations to reduce risks are kept under review and any new practices are evaluated. This enables the Group to monitor if the actions have had the desired effect of reducing risk, and creating a more stable environment for its activity.

Monitoring and review is a key component of the Group’s risk management process. Results are recorded and reported externally and internally, as appropriate. The results are also an input in the review and continuous improvement of the Group's risk management framework.

Monitoring and review of risks is required, to evaluate any changes in the risk or control environment. This also requires regular monitoring of risks in light of new developments, providing early warning if risk levels change.

42.4.11 Capital planning and capital allocation

Based on the material risks identified, the Group assesses its overall capital adequacy, and develops a strategy for maintaining adequate capital levels consistent with its risk profile and business plans. This is reflected in the Group's capital planning process and the setting of internal capital targets.

The Group ensures that a well-defined process is put in place to translate estimates of risk into an assessment of capital adequacy.

Adequate systems and processes for managing risks are in place and implemented effectively, with consideration for providing appropriate capital for any residual risks that cannot be reduced to satisfactory levels.

The capital planning process is dynamic and forward-looking in relation to the Group’s risk profile and its stated RAS.

Sound capital planning is critical for determining the prudent amount, type and composition of capital that is consistent with the Bank long-term strategy of being able to pursue business objectives, while also withstanding stress economic conditions.

An important task integral to the risk planning process is the allocation of capital to entities, business lines and segments. This is done based on close co-operation between risk management and controlling functions. All insights from the ICAAP and controlling processes are used to allocate capital with a view to risk-return considerations.

Leverage ratio

The leverage ratio represents the relationship between core capital (tier 1) and leverage exposure according to Article 429 CRR. Essentially, the leverage exposure represents the sum of unweighted on- and off-balance-sheet positions considering valuation and risk adjustments as defined within the CRR.
The calculation and disclosure of the leverage ratio is based on the European Commission’s delegated regulation ((EU) 2015/62 of 10 October 2014), which was published in the Official Journal of the European Union on 17 January 2015.

42. Risk management *(continued)*
42.4. Group-wide risk and capital management *(continued)*

42.4.12 Recovery and resolution plan

Recovery Plan concept

Banks are required to draft recovery plans to prepare for possible financial difficulties and restore its viability in a timely manner during periods of financial distress. Recovery plans should be fully aligned with Bank's risk management framework. In broad lines, banks are expected to set up a governance framework that promptly detects a stress situation and operates swiftly and smoothly in a crisis. The core of the recovery plans outlines a wide range of credible and feasible recovery options to restore viability, for example to improve the capital or liquidity situation. To identify and react to critical situations, banks should monitor a range of indicators reflecting at least their capital, liquidity, asset quality and profitability situation.

Resolution Planning and Resolution Plan concept

In contrast to recovery plans, resolution plans are not drawn up by the banks but are prepared and regularly updated by the Single Resolution Board "SRB" (for Banking Union entities) and National Resolution Authorities "NRA" (non Banking Union entities).
The SRB in cooperation with the National Resolution Authorities is mainly responsible for the resolution planning of banks and, should they fail, their orderly resolution. When drafting a resolution plan, the SRB in cooperation with the National Resolution Authorities evaluate the extent to which a bank is resolvable by applying resolution tools to it, in accordance to the preferred resolution strategy, while avoiding any significant adverse consequences for the financial system and the real economy.
"Working together" is crucial for building resolvability. The legal framework acknowledges the important role of banks in the context of resolution planning and crisis management. The SRB/NRA may require banks to assist it in the drawing up and updating of resolution plans. Assistance involves :

- Provision of information and reporting - The provision of information for resolution planning and crisis management is one important aspect. Banks are expected to deliver at minimum a set of standard templates for the provision of core information to resolution authorities on a regular basis and be ready to deliver all other information deemed relevant for resolution purposes by the NRA.
- Proposal of measures to address or remove impediments - When drafting and updating resolution plans the SRB/NRA assesses the extent to which banks are resolvable in accordance to the preferred resolution strategy. The conclusion of the assessment of resolvability includes a description of any impediments to resolvability. Banks are expected to play an active role in the process of identifying and removing impediments and demonstrating that it is resolvable and prepared for crisis management.

BCR has available a comprehensive Recovery Plan, issued based on the provisions of the Romanian Banking Law (i.e. the Emergency Ordinance no. 99/2006, Law 312/2015 on the recovery and resolution of credit institutions and investment firms), of Bank Recovery and Resolution Directive 2014/59/EU (BRRD), of EBA guidelines and regulatory technical standards and of the EGB Group Recovery Plan.
The BCR Recovery Plan sets a governance framework for the drawing up and the implementation of the plan as a main pillar of strengthening the financial resilience of BCR and restoring its financial position following a significant deterioration.
It identifies a set of recovery measures which could be taken in order to restore BCR financial strength and viability when it comes under severe stress.

42.5 Credit risk

Definition and overview

Credit risk is the risk of a partial or complete default on contractually agreed payment obligations. Credit risk refers to the negative consequences associated with defaults or the non-fulfilment of concluded contracts in banking operations due to deterioration in the counterparty's credit quality.

The Bank also defines credit risk as the current or prospective risk to earnings and capital arising from a borrower's failure to meet the terms of any contract with the credit institution or its failure to perform as agreed.

Credit risk arises in BCR's traditional lending and investment activities.

It also involves credit losses due to counterparty risk from trading in instruments and derivatives bearing market risk. Country risk and related macro-economic forward looking information is also recognised in the calculation of credit risk.

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

Credit risk is inherent in the following forms:

Cash and cash balances – other demand deposits represents all balance receivables on demand with credit institutions (nostro accounts).

Lending facilities represents the full amount of the repayment obligations to the Bank by debtors / borrowers, including loans and receivables to credit institution and to customers.

Irrevocable and revocable contingent liabilities represent the potential amount that the Bank has recourse to its client in respect to transactions undertaken but not yet settled, i.e. underwriting, pending settlement date etc.

Financial markets transactions represent the deemed risk amount arising from the non-settlement of transactions and/or the replacement cost of various financial markets contracts based on methodologies and calculation formulae approved by the Bank. Such transactions with individual counterparties may also be accounted for on a 'netted'/'cross-collateralized' basis where such arrangements have clear legal precedent or are well established in market practice. This positions includes financial assets held for trading or mandatorily at fair value through profit or loss or at fair value through other comprehensive income or at amortised cost, together with the positive fair value of derivatives without equity instruments.

The Bank grants loans to the corporate customers that can generate appropriate cash-flows, with a good reputation in the business environment, that have a proper credit rating and to the retail customers which have stable incomes and are trustworthy as regards the fulfilment of the contract obligations towards the Bank.

In the loan approval process the Bank is mainly interested in the first credit repayment source, the customer's capacity to generate cash-flows (for corporate customers) and to gain stable incomes (for retail customers).

Credit risk includes subcategories among which:

Default Risk is the risk that issuers and obligors fail to meet contractual obligations; double-default (or wrong-way) risk occurs when collateral is also impaired.

Country risk means the risk of exposure to loss caused by events in a foreign country. This risk category encompasses country, sovereign risks and transfer risks. Sovereign risk is the risk that a central or regional government defaults on its debt or other obligations. Transfer risk is the risk that arises when debtors are unable to meet their obligations owing to an inability to transfer assets to non-residents due to direct sovereign intervention.

Concentration risk which refers to the potential adverse consequences, which may arise from concentrations or interactions between similar risk factors or risk types, such as the risk arising from loans to the same client, to a group of connected clients, to clients from the same geographic region or industry, or to clients who offer the same goods and services, as well as the risk arising from the use of credit risk mitigation techniques and in particular from large indirect credit exposures.

FX Induced Credit Risk is a risk associated with foreign currency lending to un-hedged borrowers, which arises due to exchange rate fluctuations of the respective foreign currency.

Internal rating system

BCR has business and risk strategies in place that govern policies for lending and credit approval processes. These policies are reviewed and adjusted regularly, at minimum on a yearly basis. They cover the entire lending business, taking into account the nature, scope and risk level of the transactions and the counterparties involved. Credit approval considers individual information on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

The assessment of counterparty default risk within the Group is based on the customer's probability of default (PD). For each credit exposure and lending decision, the Group assigns an internal rating, which is a unique measure of the counterparty default risk. The internal rating of each customer is updated event-specific, however, at least once a year (annual rating review). Ratings of workout customers are reviewed with higher frequency.

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities. Internal ratings also determine the level of decision-making authority within the Group and the monitoring procedures for existing exposures. At a quantitative level, internal ratings influence the level of required risk pricing, risk allowances and risk-weighted assets.

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

Internal ratings take into account all available significant information for the assessment of counterparty default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, flexibility in corporate financing, general company information and external credit history information, where available. For retail clients, internal ratings are based mainly on payment behaviour versus the Bank and, where applicable, credit bureau information, supplemented with information provided by the respective client and general demographic information. Rating ceiling rules on credit quality are applied based on membership in a group of economically related entities and the country of main economic activity (applicable to cross-border financing facilities).

Internal specialist teams develop and improve internal rating models and risk parameters in cooperation with risk managers. Model development follows an internal group-wide methodological standard and utilises relevant data covering the respective market.

All rating models and their components (scorecards), whether retail or non-retail, are regularly validated by the central validation unit based on a Group-wide standard methodology. Validation uses statistical techniques to evaluate the accuracy of default prediction, rating stability, data quality, completeness and relevance, reviews the quality of documentation and degree of user acceptance. The results of this validation process are reported to the Group's management body. In addition to the validation process, the Group applies a regular monitoring process on the performance of rating tools, reflecting developments in new defaults and early delinquencies.

Credit risk classification

For the purpose of disclosing asset quality, the Group assigns each customer to one of the following four risk categories:

Low risk: Typically regional customers with well-established and rather long-standing relationships or large internationally recognized customers. A strong and good financial position and no foreseeable financial difficulties. Retail clients having long relationships with the Group, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally with clients in this risk category.

Management attention: Vulnerable non-retail clients that may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with limited savings or payment problems in the past triggering early collection reminders. These clients typically have a good recent payment history.

Substandard: The borrower is vulnerable to negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. Such loans are managed in specialized risk management departments.

Non-performing: In line with EBA's Technical Standards on forbearance and non-performing exposure. This category includes the non-performing exposure to defaulted customers in the sense of art. 178 of EU Regulation no. 575/2013 including unlikeliness to pay, overdue material amounts with more than 90 days past due, restructuring resulting into a loss to the lender, realization of a loan loss and initiation of Bankruptcy proceedings. BCR applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well.

The assignment of exposures to risk categories is based on the calibration of PDs for regulatory purposes to the default rates published by rating agencies, the equivalent external customer rating was used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series were applied.

Credit risk review and monitoring

In order to manage the credit risk for large corporates, banks, sovereigns and country risk, credit limits are established to reflect the maximum exposure that the Group is willing to have towards a particular customer or group of connected clients. All credit limits and the transactions booked within the limits are reviewed at least once a year.

For corporate clients there is a procedure in place related to Early Warning Signals identification and monitoring, through which it is ensured the detection at early stage of the sensitive exposure through a pro-active approach of the clients and maintaining an adequate payment behaviour of the corporate clients. Once adverse developments are identified, an action plan containing corrective measures is initiated.

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

For smaller enterprises (micro-banking) and private individuals (PI) customers, the portfolio monitoring and management is based on an automated early warning system and MIS (Management Integrated System) Group standards. In retail risk management the following early warning signals indicate potential adverse portfolio developments if left unaddressed:

- deterioration of new business quality,
- decreasing collections efficiency,
- average portfolio rating deterioration.

Credit portfolio reports for asset classes and business lines are prepared on a regular basis. Watch-list meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures to help a particular debtor avoid default.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

- cash and cash balances – demand deposits to central and credit institutions;
- debt instruments held for trading;
- non-trading debt instruments at fair value through profit or loss (FVPL);
- debt instruments at fair value through other comprehensive income (FVOCI);
- debt instruments at amortised cost (AC), other than trade and other receivables;
- debt instruments held for sale in disposal groups;
- finance lease receivables;
- trade and other receivables (for disclosure purposes in the tabular summaries below, any contract assets are also included in this category);
- positive fair value of derivatives;
- off-balance sheet credit risks (primarily financial guarantees and undrawn credit commitments).

For credit risk purposes debt instruments shall include debt securities and loans and advances. Equity instruments are not included in the credit risk exposure.

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet positions) without taking into account the followings:

- credit loss allowances for financial assets;
- credit loss allowances for loan commitments and financial guarantees;
- provisions for other commitments;
- any collateral held (including risk transfer to guarantors);
- netting effects;
- other credit enhancements;
- credit risk mitigating transactions.

The gross carrying amount of the credit risk exposure of the Group increased by RON 6,504,175, from almost RON 72,488,640 thousands as of 31 December 2018 to approximately RON 78,992,815 thousands as of 31 December 2019.

The gross carrying amount of the credit risk exposure of the Bank increased by RON 6,695,128 thousands, from almost RON 69,463,363 thousands as of 31 December 2018 to approximately RON 76,158,491 thousands as of 31 December 2019.

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

Reconciliation between the gross carrying amount and the carrying amount of the credit risk exposure components

	Group				Bank			
in RON thousands	Credit risk exposure	Credit loss allowances	Adjustments*	Carrying amount	Credit risk exposure	Credit loss allowances	Adjustments*	Carrying amount
	31.12.2019							
Cash and cash balances - demand deposits to central banks and credit institutions	478,009	(941)	-	477,068	396,405	-	-	396,405
Debt instruments held for trading	429,356	-	-	429,356	429,356	-	-	429,356
Non-trading debt instruments at FVPL	53,484	-	-	53,484	53,484	-	-	53,484
Debt securities	49,922	-	-	49,922	49,922	-	-	49,922
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	3,562	-	-	3,562	3,562	-	-	3,562
Debt instruments at FVOCI	6,059,185	(3,319)	58,660	6,117,844	6,057,252	(3,232)	58,650	6,115,902
Debt securities	6,059,185	(3,319)	58,660	6,117,844	6,057,252	(3,232)	58,650	6,115,902
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-	-
Debt instruments at AC	56,779,066	(1,879,985)	-	54,899,082	54,884,549	(1,865,237)	-	53,019,312
Debt securities	15,748,570	(13,382)	-	15,735,188	14,430,674	(7,887)	-	14,422,788
Loans and advances to banks	662,158	(721)	-	661,437	728,596	(67,510)	-	661,086
Loans and advances to customers	40,368,338	(1,865,882)	-	38,502,456	39,725,279	(1,789,840)	-	37,935,439
Trade and other receivables	515,322	(90,263)	-	425,060	488,097	(79,320)	-	408,778
Finance lease receivables	1,156,806	(38,874)	-	1,117,933	3,692	(293)	-	3,399
Debt instruments held for sale in disposal groups	-	-	-	-	-	-	-	-
Positive fair value of hedge accounting derivatives	-	-	-	-	-	-	-	-
Off balance-sheet exposures (i)	13,521,587	(367,330)	-	-	13,845,656	(370,555)	-	-
Total	**78,992,815**	**(2,380,711)**	**58,660**	**63,519,826**	**76,158,491**	**(2,318,637)**	**58,650**	**60,426,635**

	Group				Bank			
in RON thousands	Credit risk exposure	Credit loss allowances	Adjustments*	Carrying amount	Credit risk exposure	Credit loss allowances	Adjustments*	Carrying amount
	31.12.2018							
Cash and cash balances - demand deposits to central banks and credit institutions	202,567	(632)	-	201,936	146,789	-	-	146,789
Debt instruments held for trading	213,965	-	-	213,965	214,092	-	-	214,092
Non-trading debt instruments at FVPL	5,920	-	-	5,920	5,920	-	-	5,920
Debt securities	-	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	5,920	-	-	5,920	5,920	-	-	5,920
Debt instruments at FVOCI	5,124,698	(3,789)	56,662	5,181,360	5,089,620	(2,223)	56,678	5,146,298
Debt securities	5,124,698	(3,789)	56,662	5,181,360	5,089,620	(2,223)	56,678	5,146,298
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-	-
Debt instruments at AC	52,926,795	(2,083,576)	-	50,843,218	50,725,300	(1,992,733)	-	48,732,569
Debt securities	15,891,322	(12,214)	-	15,879,107	14,306,813	(8,908)	-	14,297,906
Loans and advances to banks	124,123	(283)	-	123,840	391,811	(2,963)	-	388,848
Loans and advances to customers	36,911,350	(2,071,079)	-	34,840,271	36,026,675	(1,980,860)	-	34,045,815
Trade and other receivables	694,943	(131,929)	-	563,014	663,148	(119,970)	-	543,179
Finance lease receivables	1,012,837	(21,969)	-	990,868	-	-	-	-
Debt instruments held for sale in disposal groups	-	-	-	-	-	-	-	-
Positive fair value of hedge accounting derivatives	-	-	-	-	-	-	-	-
Off balance-sheet exposures	12,306,915	(417,104)	-	-	12,618,495	(418,830)	-	-
Total	**72,488,640**	**(2,658,998)**	**56,662**	**58,000,281**	**69,463,363**	**(2,533,755)**	**56,678**	**54,788,846**

*Adjustments refer to the fair value changes of the carrying amount for financial assets at FVOCI.

Credit risk provisions comprise impairments for financial assets measured at amortised cost (including finance lease receivables and trade and other receivables) and at fair value through other comprehensive income (FVOCI), as well as provisions for off-balance sheet exposures.

(i) The gross carrying amount of contingent liabilities refers to the nominal value, while credit risk provisions refer to provisions for guarantees. A carrying amount is not presented in the case of contingent liabilities.

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

Breakdown of credit risk exposure

On the next pages the credit risk exposure is categorized in the following way:

- counterparty sector and financial instrument;
- industry and financial instrument;
- industry and IFRS 9 treatment;
- risk category;
- off-balance sheet exposure by product;
- industry and risk category;
- region and risk category;
- region and IFRS 9 treatment;
- business segment and risk category;
- business segment and risk category and IFRS 9 treatment;
- non-performing credit risk exposure by business segment and credit loss allowances;
- composition of credit loss allowances;
- credit risk exposure, forbearance exposure and credit loss allowances;
- types of forbearance exposure;
- business segment and collateral;
- financial instrument and collateral.

Credit risk exposure by counterparty sector and financial instrument

Group

in RON thousands	Cash and cash balances - demand deposits to central banks and credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost			Trade and other receivables	Finance lease receivables	Off balance-sheet exposures	Total
					Debt securities	Loans and advances to banks	Loans and advances to customers				
					31.12.2019						
Central banks	-	-	-	1,932	49,552	171	-	-	-	-	51,655
General governments	-	389,256	-	6,052,040	15,647,307	-	2,936,095	34,476	550	2,410,743	27,470,466
Credit institutions	478,009	5,384	-	-	51,711	661,987	-	54,178	-	664,280	1,915,550
Other financial corporations	-	-	49,922	-	-	-	185,637	18,803	15,110	219,064	488,536
Non-financial corporations	-	34,716	3,562	5,213	-	-	13,028,112	391,355	1,107,825	8,974,831	23,545,612
Households	-	-	-	-	-	-	24,218,495	16,511	33,321	1,252,669	25,520,996
Total	**478,009**	**429,356**	**53,484**	**6,059,185**	**15,748,570**	**662,158**	**40,368,338**	**515,322**	**1,156,806**	**13,521,587**	**78,992,815**

Group

in RON thousands	Cash and cash balances - demand deposits to central banks and credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost			Trade and other receivables	Finance lease receivables	Off balance-sheet exposures	Total
					Debt securities	Loans and advances to banks	Loans and advances to customers				
					31.12.2018						
Central banks	-	-	-	13,588	-	510	-	-	-	-	14,098
General governments	-	182,903	-	5,106,105	15,891,322	-	2,824,397	25,941	727	2,076,641	26,108,036
Credit institutions	202,567	-	-	-	-	123,613	-	72,528	-	643,530	1,042,239
Other financial corporations	-	-	-	-	-	-	174,891	45,898	15,803	201,841	438,433
Non-financial corporations	-	31,062	5,920	5,005	-	-	11,269,103	507,745	967,845	8,234,294	21,020,974
Households	-	-	-	-	-	-	22,642,959	42,831	28,462	1,150,609	23,864,861
Total	**202,567**	**213,965**	**5,920**	**5,124,698**	**15,891,322**	**124,123**	**36,911,350**	**694,943**	**1,012,837**	**12,306,915**	**72,488,640**

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

Bank

in RON thousands	Cash and cash balances - demand deposits to central banks and credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost: Debt securities	At amortised cost: Loans and advances to banks	At amortised cost: Loans and advances to customers	Trade and other receivables	Finance lease receivables	Off balance-sheet exposures	Total
						31.12.2019					
Central banks	-	-	-	-	-	171	-	-	-	-	171
General governments	-	389,256	-	6,052,040	14,378,963	-	2,936,095	34,476	-	2,410,743	26,201,573
Credit institutions	396,405	5,384	-	-	51,711	728,425	-	54,193	292	751,206	1,987,617
Other financial corporations	-	-	49,922	-	-	-	697,015	18,578	3,399	424,397	1,193,311
Non-financial corporations	-	34,716	3,562	5,213	-	-	12,160,632	364,824	-	9,010,727	21,579,673
Households	-	-	-	-	-	-	23,931,537	16,027	-	1,248,582	25,196,146
Total	**396,405**	**429,356**	**53,484**	**6,057,252**	**14,430,674**	**728,596**	**39,725,279**	**488,097**	**3,692**	**13,845,656**	**76,158,491**

Bank

in RON thousands	Cash and cash balances - demand deposits to central banks and credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost: Debt securities	At amortised cost: Loans and advances to banks	At amortised cost: Loans and advances to customers	Trade and other receivables	Finance lease receivables	Off balance-sheet exposures	Total
						31.12.2018					
Central banks	-	-	-	-	-	510	-	-	-	-	510
General governments	-	182,903	-	5,084,615	14,306,813	-	2,824,395	25,938	-	2,076,641	24,501,306
Credit institutions	146,789	-	-	-	-	391,301	-	72,697	-	853,951	1,464,737
Other financial corporations	-	-	-	-	-	-	436,460	45,655	-	258,050	740,165
Non-financial corporations	-	31,189	5,920	5,005	-	-	10,430,851	476,271	-	8,287,082	19,236,318
Households	-	-	-	-	-	-	22,334,969	42,588	-	1,142,771	23,520,328
Total	**146,789**	**214,092**	**5,920**	**5,089,620**	**14,306,813**	**391,811**	**36,026,676**	**663,148**	**-**	**12,618,495**	**69,463,364**

Credit risk exposure by industry and financial instrument

Group

in RON thousands	Cash and cash balances - demand deposits to central banks and credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost: Debt securities	At amortised cost: Loans and advances to banks	At amortised cost: Loans and advances to customers	Trade and other receivables	Finance lease receivables	Off balance-sheet exposures	Total
						31.12.2019					
Agriculture and forestry	-	692	-	-	-	-	757,213	3,961	119,599	205,920	1,087,385
Mining	-	-	-	-	-	-	117,012	13,775	14,923	1,433,847	1,579,557
Manufacturing	-	12,639	1,731	-	-	-	4,173,524	156,197	192,694	2,488,944	7,025,729
Energy and water supply	-	844	-	-	-	-	819,778	29,845	46,804	638,959	1,536,229
Construction	-	8,112	-	-	-	-	1,549,192	63,227	132,663	1,555,791	3,308,986
Development of building projects	-	-	-	-	-	-	-	-	-	-	-
Trade	-	5,224	-	-	-	-	2,418,612	48,773	185,841	2,300,783	4,959,233
Transport and communication	-	1,945	1,639	5,213	-	-	1,446,021	10,353	275,343	346,338	2,086,852
Hotels and restaurants	-	-	-	-	-	-	171,909	358	18,153	138,853	329,273
Financial and insurance services	478,009	5,401	49,922	-	113,718	662,158	202,174	74,063	11,745	1,029,274	2,626,464
Holding companies	-	-	-	-	-	-	-	-	-	-	-
Real estate and housing	-	5,156	-	-	-	-	1,297,645	283	7,220	38,133	1,348,436
Services	-	86	192	-	-	-	394,979	64,027	115,023	305,676	879,984
Public administration	-	389,256	-	6,053,972	15,634,853	-	2,613,573	33,839	662	1,724,211	26,450,365
Education, health and art	-	-	-	-	-	-	242,632	271	22,526	84,683	350,112
Households	-	-	-	-	-	-	24,164,074	16,350	13,611	1,230,174	25,424,209
Other	-	-	-	-	-	-	-	-	-	-	-
Total	**478,009**	**429,356**	**53,484**	**6,059,185**	**15,748,570**	**662,158**	**40,368,338**	**515,322**	**1,156,806**	**13,521,587**	**78,992,815**

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

Group

in RON thousands	Cash and cash balances - demand deposits to central banks and credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost: Debt securities	At amortised cost: Loans and advances to banks	At amortised cost: Loans and advances to customers	Trade and other receivables	Finance lease receivables	Debt instruments held for sale in disposal groups	Positive fair value of hedge accounting derivatives	Off balance-sheet exposures	Total
31.12.2018													
Agriculture and forestry	-	373	-	-	-	-	608,310	2,754	104,253	-	-	152,454	868,144
Mining	-	-	-	-	-	-	110,622	37,820	17,577	-	-	1,533,420	1,699,439
Manufacturing	-	6,985	4,208	-	-	-	4,039,515	216,257	167,464	-	-	1,873,910	6,308,339
Energy and water supply	-	1,104	-	-	-	-	610,594	21,784	37,411	-	-	556,039	1,226,932
Construction	-	1,134	-	-	-	-	1,145,695	113,223	97,522	-	-	1,971,897	3,329,471
Trade	-	1,682	-	-	-	-	2,088,354	54,672	169,960	-	-	2,126,547	4,441,215
Transport and communication	-	2,450	1,638	6,017	-	-	1,343,229	27,493	268,161	-	-	522,602	2,171,590
Hotels and restaurants	-	-	-	-	-	-	57,841	639	16,926	-	-	24,083	99,489
Financial and insurance services	202,567	12,298	-	-	-	124,123	267,901	105,670	12,146	-	-	990,245	1,714,949
Real estate and housing	-	5,014	-	-	-	-	1,010,151	2,299	5,924	-	-	142,107	1,165,494
Services	-	23	74	-	-	-	356,892	25,669	85,816	-	-	265,977	734,450
Public administration	-	182,903	-	5,118,681	15,891,322	-	2,503,061	25,420	845	-	-	927,424	24,649,657
Education, health and art	-	-	-	-	-	-	145,597	451	15,339	-	-	81,620	243,007
Households	-	0	-	-	-	-	22,623,589	60,778	13,493	-	-	1,138,590	23,836,451
Other	-	-	-	-	-	-	-	14	-	-	-	-	14
Total	**202,567**	**213,965**	**5,920**	**5,124,698**	**15,891,322**	**124,123**	**36,911,350**	**694,943**	**1,012,837**	**-**	**-**	**12,306,915**	**72,488,640**

Bank

in RON thousands	Cash and cash balances - demand deposits to central banks and credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost: Debt securities	At amortised cost: Loans and advances to banks	At amortised cost: Loans and advances to customers	Trade and other receivables	Finance lease receivables	Off balance-sheet exposures	Total
31.12.2019											
Agriculture and forestry	-	692	-	-	-	-	648,845	1,107	-	200,452	851,096
Mining	-	-	-	-	-	-	112,788	13,761	-	1,433,847	1,560,396
Manufacturing	-	12,639	1,731	-	-	-	4,092,373	159,832	-	2,476,711	6,743,285
Energy and water supply	-	844	-	-	-	-	817,575	29,718	-	638,959	1,487,097
Construction	-	8,112	-	-	-	-	1,510,293	62,612	-	1,554,711	3,135,728
Development of building projects	-	-	-	-	-	-	-	-	-	-	-
Trade	-	5,224	-	-	-	-	2,170,113	44,628	-	2,283,316	4,503,281
Transport and communication	-	1,945	1,639	5,213	-	-	962,279	2,166	-	341,117	1,314,358
Hotels and restaurants	-	-	-	-	-	-	163,580	182	-	138,756	302,518
Financial and insurance services	396,405	5,401	49,922	-	51,711	728,596	715,051	73,800	3,692	1,351,528	3,376,106
Holding companies	-	-	-	-	-	-	-	-	-	-	-
Real estate and housing	-	5,156	-	-	-	-	1,285,751	55	-	38,133	1,329,095
Services	-	86	192	-	-	-	501,107	50,235	-	352,656	904,276
Public administration	-	389,256	-	6,052,040	14,378,963	-	2,613,573	33,839	-	1,724,211	25,191,881
Education, health and art	-	-	-	-	-	-	240,437	223	-	84,561	325,220
Households	-	-	-	-	-	-	23,891,513	15,940	-	1,226,698	25,134,152
Other	-	-	-	-	-	-	-	-	-	-	-
Total	**396,405**	**429,356**	**53,484**	**6,057,252**	**14,430,674**	**728,596**	**39,725,279**	**488,097**	**3,692**	**13,845,656**	**76,158,491**

Bank

in RON thousands	Cash and cash balances - demand deposits to central banks and credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost: Debt securities	At amortised cost: Loans and advances to banks	At amortised cost: Loans and advances to customers	Trade and other receivables	Finance lease receivables	Debt instruments held for sale in disposal groups	Positive fair value of hedge accounting derivatives	Off balance-sheet exposures	Total
31.12.2018													
Agriculture and forestry	-	373	-	-	-	-	521,048	1,772	-	-	-	151,386	674,580
Mining	-	-	-	-	-	-	107,075	37,791	-	-	-	1,533,420	1,678,286
Manufacturing	-	6,985	4,208	-	-	-	3,964,168	212,785	-	-	-	1,870,724	6,058,870
Energy and water supply	-	1,104	-	-	-	-	608,276	21,724	-	-	-	555,965	1,187,069
Construction	-	1,134	-	-	-	-	1,113,809	112,519	-	-	-	1,977,109	3,204,571
Trade	-	1,682	-	-	-	-	1,872,068	49,080	-	-	-	2,119,534	4,042,364
Transport and communication	-	2,450	1,638	6,017	-	-	884,659	16,630	-	-	-	533,391	1,444,785
Hotels and restaurants	-	-	-	-	-	-	47,665	577	-	-	-	24,083	72,325
Financial and insurance services	146,789	12,424	-	-	-	391,811	530,727	105,831	-	-	-	1,285,955	2,473,537
Real estate and housing	-	5,014	-	-	-	-	998,282	1,735	-	-	-	142,107	1,147,137
Services	-	23	74	-	-	-	407,878	16,258	-	-	-	284,636	708,869
Public administration	-	182,903	-	5,083,603	14,306,813	-	2,503,059	25,417	-	-	-	927,424	23,029,221
Education, health and art	-	-	-	-	-	-	144,813	416	-	-	-	81,620	226,850
Households	-	0	-	-	-	-	22,323,148	60,604	-	-	-	1,131,141	23,514,893
Other	-	-	-	-	-	-	-	9	-	-	-	-	9
Total	**146,789**	**214,092**	**5,920**	**5,089,620**	**14,306,813**	**391,811**	**36,026,675**	**663,148**	**-**	**-**	**-**	**12,618,495**	**69,463,364**

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

Credit risk exposure by industry and IFRS 9 treatment

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2019			
Agriculture and forestry	970,157	77,432	36,424	2,680	1,086,693	692	1,087,385
Mining	1,377,040	5,999	87,360	109,159	1,579,557	-	1,579,557
Manufacturing	5,189,826	1,606,830	169,721	39,578	7,005,954	19,774	7,025,729
Energy and water supply	1,140,555	342,164	42,803	9,023	1,534,544	1,685	1,536,229
Construction	2,300,846	541,794	393,254	64,980	3,300,874	8,112	3,308,986
Trade	3,763,623	549,670	36,575	3,936	4,353,804	605,429	4,959,233
Transport and communication	1,804,838	218,752	56,416	2,725	2,082,731	4,121	2,086,852
Hotels and restaurants	271,374	50,127	3,747	4,025	329,273	-	329,273
Financial and insurance services	2,285,806	191,430	13,173	-	2,490,409	113,740	2,604,149
Real estate and housing	1,295,245	14,764	33,271	-	1,343,280	5,156	1,348,436
Services	694,327	137,930	47,083	366	879,706	278	879,984
Public administration	24,849,743	867,296	3,926	13,774	25,734,739	715,627	26,450,365
Education, health and art	230,824	117,357	1,699	-	349,881	232	350,112
Households	21,584,391	2,730,031	846,529	275,483	25,436,434	10,090	25,446,523
Total	**67,758,594**	**7,451,576**	**1,771,981**	**525,729**	**77,507,880**	**1,484,935**	**78,992,815**

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2018			
Agriculture and forestry	620,538	213,814	29,369	4,048	867,770	373	868,144
Mining	1,512,427	2,491	93,337	91,184	1,699,439	-	1,699,439
Manufacturing	4,803,705	1,109,688	281,058	102,695	6,297,146	11,193	6,308,339
Energy and water supply	937,679	210,747	61,059	16,344	1,225,828	1,104	1,226,932
Construction	2,093,806	548,735	646,735	39,060	3,328,337	1,134	3,329,471
Trade	4,197,564	191,536	41,216	9,217	4,439,533	1,682	4,441,215
Transport and communication	1,987,709	112,901	62,388	4,505	2,167,502	4,088	2,171,590
Hotels and restaurants	64,710	15,206	13,652	5,922	99,489	-	99,489
Financial and insurance services	1,552,661	114,783	22,441	-	1,689,885	25,130	1,715,014
Real estate and housing	1,052,534	33,243	38,348	36,355	1,160,481	5,014	1,165,494
Services	588,476	65,481	74,597	5,800	734,353	97	734,450
Public administration	23,426,216	1,018,872	6,754	14,912	24,466,754	182,903	24,649,657
Education, health and art	237,379	4,959	668	-	243,007	-	243,007
Households	21,368,652	1,262,052	910,256	295,426	23,836,386	-	23,836,386
Other	5	9	-	-	14	-	14
Total	**64,444,061**	**4,904,517**	**2,281,878**	**625,467**	**72,255,924**	**232,717**	**72,488,640**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2019			
Agriculture and forestry	749,170	67,449	31,106	2,680	850,404	692	851,096
Mining	1,358,352	5,974	86,911	109,159	1,560,396	-	1,560,396
Manufacturing	4,922,849	1,595,152	165,932	39,578	6,723,511	19,774	6,743,285
Energy and water supply	1,095,412	340,188	40,790	9,023	1,485,412	1,685	1,487,097
Construction	2,141,980	532,349	388,307	64,980	3,127,616	8,112	3,135,728
Trade	3,334,537	533,433	25,946	3,936	3,897,852	605,429	4,503,281
Transport and communication	1,099,603	187,193	20,716	2,725	1,310,237	4,121	1,314,358
Hotels and restaurants	246,480	49,097	2,917	4,025	302,518	-	302,518
Financial and insurance services	2,854,938	305,231	79,883	-	3,240,052	113,740	3,353,792
Real estate and housing	1,286,475	14,529	22,935	-	1,323,939	5,156	1,329,095
Services	656,645	209,376	37,611	366	903,998	278	904,276
Public administration	23,591,393	867,161	3,926	13,774	24,476,255	715,627	25,191,881
Education, health and art	207,659	116,222	1,108	-	324,989	232	325,220
Households	21,346,302	2,725,566	799,025	275,483	25,146,377	10,090	25,156,467
Total	**64,891,795**	**7,548,919**	**1,707,113**	**525,729**	**74,673,556**	**1,484,935**	**76,158,491**

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

Bank							
in RON thousands	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Credit risk exposure (AC and FVOCI)**	**Not subject to IFRS 9 impairment**	**Total**
				31.12.2018			
Agriculture and forestry	442,833	200,923	26,402	4,048	674,207	373	674,580
Mining	1,492,204	2,396	92,503	91,184	1,678,286	-	1,678,286
Manufacturing	4,566,839	1,100,817	277,326	102,695	6,047,677	11,193	6,058,870
Energy and water supply	901,458	207,204	60,960	16,344	1,185,965	1,104	1,187,069
Construction	1,986,328	536,796	641,253	39,060	3,203,436	1,134	3,204,571
Trade	3,821,024	180,781	29,659	9,217	4,040,682	1,682	4,042,364
Transport and communication	1,345,113	49,582	41,497	4,505	1,440,697	4,088	1,444,785
Hotels and restaurants	43,248	13,322	9,834	5,922	72,325	-	72,325
Financial and insurance services	2,269,913	155,992	22,441	-	2,448,346	25,256	2,473,602
Real estate and housing	1,045,098	32,871	27,799	36,355	1,142,123	5,014	1,147,137
Services	571,306	58,271	73,396	5,800	708,772	97	708,869
Public administration	21,805,820	1,018,832	6,754	14,912	22,846,318	182,903	23,029,221
Education, health and art	222,849	3,825	176	-	226,850	-	226,850
Households	21,116,264	1,257,862	845,307	295,395	23,514,828	-	23,514,828
Other	-	9	-	-	9	-	9
Total	**61,630,297**	**4,819,482**	**2,155,307**	**625,436**	**69,230,521**	**232,844**	**69,463,364**

Credit risk exposure by risk category

Group					
in RON thousands	**Low risk**	**Management attention**	**Substandard**	**Non-performing**	**Total**
31.12.2019	67,369,920	6,838,582	2,672,685	2,111,627	78,992,815
Share of credit risk exposure	85.3%	8.7%	3.4%	2.7%	100.0%
31.12.2018	60,537,421	6,927,551	2,213,508	2,810,160	72,488,640
Share of credit risk exposure	83.5%	9.6%	3.1%	3.9%	100.0%

Bank					
in RON thousands	**Low risk**	**Management attention**	**Substandard**	**Non-performing**	**Total**
31.12.2019	65,051,286	6,306,764	2,753,683	2,046,759	76,158,491
Share of credit risk exposure	85.4%	8.3%	3.6%	2.7%	100.0%
31.12.2018	58,023,548	6,464,716	2,314,408	2,660,692	69,463,364
Share of credit risk exposure	83.5%	9.3%	3.3%	3.8%	100.0%

From 31 December 2018 to 31 December 2019, the share of credit risk exposure in the low risk category increased, while non-performing exposure dropped significantly by 24.9% in case of Group, respectively by 23.1% in case of the Bank in 2019 as compared with 2018, from RON 2,810,160 thousands in 2018 to RON 2,111,627 thousands in 2019 in case of Group and from RON 2,660,692 thousands in 2018 to RON 2,046,759 thousands in 2019 in case of Bank. The decrease in the weakest risk category – Non-performing - is due to intensified cash recoveries from defaulted exposures, as well as write-offs and sales performed in 2019.

Contingent liabilities / Off balance-sheet exposures by product

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Financial guarantees	3,224,539	3,587,084	3,215,758	3,613,353
Loan commitments	9,294,952	8,706,999	9,627,802	8,992,310
Other commitments	1,002,096	12,832	1,002,096	12,832
Total	**13,521,587**	**12,306,915**	**13,845,656**	**12,618,495**

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

Credit risk exposure by industry and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Agriculture and forestry	415,589	588,074	44,631	39,091	1,087,385
Mining	1,352,607	25,456	4,976	196,519	1,579,557
Manufacturing	4,218,585	1,994,786	601,377	210,981	7,025,729
Energy and water supply	939,086	233,568	311,749	51,826	1,536,229
Construction	1,953,432	587,624	327,920	440,011	3,308,986
Trade	3,662,070	1,144,914	111,816	40,432	4,959,233
Transport and communication	1,549,441	431,317	45,322	60,772	2,086,852
Hotels and restaurants	251,591	38,577	31,332	7,772	329,273
Financial and insurance services	2,464,818	106,119	20,039	13,173	2,604,149
Real estate and housing	1,170,200	133,047	10,090	35,099	1,348,436
Services	535,883	167,112	129,367	47,622	879,984
Public administration	26,152,501	142,530	151,408	3,926	26,450,365
Education, health and art	272,450	37,880	38,083	1,699	350,112
Households	22,431,666	1,207,577	844,575	962,705	25,446,523
Other	-	-	-	-	-
Total	**67,369,920**	**6,838,582**	**2,672,685**	**2,111,627**	**78,992,815**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2018		
Agriculture and forestry	455,271	354,006	25,466	33,401	868,144
Mining	1,471,753	41,722	1,444	184,521	1,699,439
Manufacturing	3,522,051	1,799,387	598,991	387,910	6,308,339
Energy and water supply	734,595	294,407	117,380	80,550	1,226,932
Construction	1,583,049	715,933	361,448	669,041	3,329,471
Trade	3,041,073	1,269,227	80,472	50,443	4,441,215
Transport and communication	1,727,962	348,632	26,481	68,514	2,171,590
Hotels and restaurants	65,479	10,090	4,347	19,573	99,489
Financial and insurance services	1,654,641	23,178	14,754	22,441	1,715,014
Real estate and housing	1,006,882	60,993	20,783	76,837	1,165,494
Services	451,132	182,883	19,958	80,478	734,450
Public administration	24,312,535	115,150	192,353	29,619	24,649,657
Education, health and art	130,912	106,645	4,782	668	243,007
Private households	20,380,082	1,605,299	744,840	1,106,164	23,836,386
Other	5	-	9	-	14
Total	**60,537,421**	**6,927,551**	**2,213,508**	**2,810,160**	**72,488,640**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Agriculture and forestry	248,326	525,864	43,134	33,772	851,096
Mining	1,336,538	22,812	4,976	196,070	1,560,396
Manufacturing	4,015,482	1,920,322	600,290	207,192	6,743,285
Energy and water supply	909,600	215,935	311,749	49,812	1,487,097
Construction	1,807,722	565,382	327,561	435,064	3,135,728
Trade	3,279,121	1,083,784	110,573	29,803	4,503,281
Transport and communication	933,870	310,136	45,280	25,072	1,314,358
Hotels and restaurants	228,654	37,552	29,370	6,942	302,518
Financial and insurance services	3,127,100	36,525	110,283	79,883	3,353,792
Real estate and housing	1,162,189	132,053	10,090	24,763	1,329,095
Services	586,690	150,834	128,602	38,150	904,276
Public administration	24,945,502	91,045	151,408	3,926	25,191,881
Education, health and art	249,651	36,807	37,654	1,108	325,220
Households	22,220,841	1,177,712	842,713	915,201	25,156,467
Other	-	-	-	-	-
Total	**65,051,286**	**6,306,764**	**2,753,682**	**2,046,759**	**76,158,491**

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2018		
Agriculture and forestry	321,658	298,712	23,776	30,433	674,580
Mining	1,452,630	40,526	1,444	183,686	1,678,286
Manufacturing	3,349,463	1,729,698	595,531	384,178	6,058,870
Energy and water supply	699,798	289,845	116,975	80,450	1,187,069
Construction	1,487,208	692,583	361,221	663,559	3,204,571
Trade	2,686,165	1,239,798	77,516	38,886	4,042,364
Transport and communication	1,159,282	203,706	34,173	47,624	1,444,785
Hotels and restaurants	45,545	8,676	2,348	15,756	72,325
Financial and insurance services	2,312,909	13,239	125,013	22,441	2,473,602
Real estate and housing	1,000,463	59,924	20,463	66,287	1,147,137
Services	445,696	166,907	16,989	79,277	708,869
Public administration	22,809,542	20,571	192,353	6,754	23,029,221
Education, health and art	119,413	103,297	3,963	176	226,850
Private households	20,133,774	1,597,234	742,636	1,041,183	23,514,828
Other	-	-	9	-	9
Total	**58,023,548**	**6,464,716**	**2,314,408**	**2,660,692**	**69,463,364**

Credit risk exposure by region and risk category

The geographic analysis of credit exposure is based on the country of risk of the borrower and counterparty. It comprises obligors domiciled in other countries if the economic risk exists in the respective country of risk.
Credit risk exposure increased in absolute figures mainly in Romania with RON 6,036,918 thousands from RON 71,258,761 thousands in 2018 to RON 77,295,679 thousands in 2019 in case of Group.
The increase in exposure in main market - Romania registered at Group level is also observed at Bank level: increase with RON 6,289,201 thousands from RON 68,575,364 thousands in 2018 to RON 74,864,565 thousands in 2019. The share of emerging markets remained of minor importance.

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Core markets	**66,839,995**	**6,620,641**	**2,651,945**	**1,889,605**	**78,002,186**
Austria	682,178	10	122	8,962	691,271
Romania	66,142,583	6,620,632	2,651,821	1,880,644	77,295,680
Serbia	119	-	-	-	119
Slovakia	30	-	-	-	30
Czech Republic	30	-	-	-	30
Hungary	15,055	-	1	-	15,056
Other EU	**364,977**	**943**	**1,814**	**210,569**	**578,303**
Other industrialised countries	**51,832**	**382**	**202**	**18**	**52,434**
Emerging markets	**113,117**	**216,616**	**18,725**	**11,435**	**359,892**
Southeastern Europe/CIS	112,385	214,301	1,388	11,283	339,357
Asia	280	27	17,147	-	17,454
Latin America	65	-	1	-	66
Middle East/Africa	387	2,287	189	152	3,015
Total	**67,369,920**	**6,838,582**	**2,672,685**	**2,111,627**	**78,992,815**

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2018		
Core markets	**60,102,986**	**6,735,969**	**2,197,165**	**2,533,478**	**71,569,598**
Austria	243,942	191	125	62,006	306,264
Romania	59,854,949	6,735,777	2,196,566	2,471,469	71,258,761
Serbia	280	-	-	-	281
Slovakia	30	-	-	-	30
Czech Republic	3,786	-	-	-	3,786
Hungary	-	-	473	3	476
Other EU	**281,933**	**52,672**	**383**	**258,248**	**593,236**
Other industrialised countries	**3,592**	**5**	**7,604**	**623**	**11,824**
Emerging markets	**148,909**	**138,907**	**8,356**	**17,811**	**313,983**
Southeastern Europe/CIS	147,158	138,885	1,923	17,605	305,571
Asia	1,092	9	418	-	1,518
Latin America	80	-	6,004	-	6,084
Middle East/Africa	579	13	12	206	810
Total	**60,537,421**	**6,927,551**	**2,213,508**	**2,810,160**	**72,488,640**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Core markets	**64,638,246**	**6,285,667**	**2,732,962**	**1,836,020**	**75,492,894**
Austria	604,010	-	122	8,962	613,093
Romania	64,019,002	6,285,667	2,732,838	1,827,058	74,864,566
Serbia	119	-	-	-	119
Slovakia	30	-	-	-	30
Czech Republic	30	-	-	-	30
Hungary	15,055	-	1	-	15,056
Other EU	**360,190**	**943**	**1,814**	**210,569**	**573,516**
Other industrialised countries	**51,832**	**382**	**202**	**18**	**52,434**
Emerging markets	**1,018**	**19,771**	**18,706**	**152**	**39,646**
Southeastern Europe/CIS	286	17,457	1,369	0	19,112
Asia	280	27	17,147	-	17,454
Latin America	65	-	1	-	66
Middle East/Africa	387	2,287	189	152	3,015
Total	**65,051,286**	**6,306,764**	**2,753,682**	**2,046,759**	**76,158,491**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2018		
Core markets	**57,730,551**	**6,402,678**	**2,299,967**	**2,401,589**	**68,834,786**
Austria	192,526	191	125	62,006	254,848
Romania	57,533,929	6,402,487	2,299,368	2,339,580	68,575,364
Serbia	280	-	-	-	281
Slovakia	30	-	-	-	30
Czech Republic	3,786	-	-	-	3,786
Hungary	-	-	473	3	476
Other EU	**281,933**	**52,672**	**382**	**258,248**	**593,235**
Other industrialised countries	**3,592**	**5**	**7,604**	**623**	**11,824**
Emerging markets	**7,471**	**9,361**	**6,455**	**232**	**23,520**
Southeastern Europe/CIS	5,720	9,340	22	27	15,108
Asia	1,092	9	418	-	1,518
Latin America	80	-	6,004	-	6,084
Middle East/Africa	579	13	12	206	810
Total	**58,023,548**	**6,464,716**	**2,314,408**	**2,660,692**	**69,463,364**

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

Credit risk exposure by region and IFRS 9 treatment

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2019			
Core markets	**67,117,372**	**7,385,114**	**1,551,208**	**524,137**	**76,577,830**	**1,424,356**	**78,002,186**
Austria	620,722	28,233	8,962	-	657,917	33,355	691,271
Romania	66,481,415	7,356,880	1,542,247	524,137	75,904,679	1,391,001	77,295,680
Serbia	119	-	-	-	119	-	119
Slovakia	30	-	-	-	30	-	30
Czech Republic	30	-	-	-	30	-	30
Hungary	15,055	1	-	-	15,056	-	15,056
Other EU	**329,728**	**27,093**	**209,320**	**1,592**	**567,734**	**10,569**	**578,303**
Other industrialised countries	**2,209**	**285**	**18**	**-**	**2,512**	**49,922**	**52,434**
Emerging markets	**309,285**	**39,084**	**11,435**	**-**	**359,804**	**88**	**359,892**
Southeastern Europe/CIS	289,183	38,892	11,283	-	339,357	-	339,357
Asia	17,363	3	-	-	17,366	88	17,454
Latin America	65	1	-	-	66	-	66
Middle East/Africa	2,674	189	152	-	3,015	-	3,015
Total	**67,758,594**	**7,451,576**	**1,771,981**	**525,729**	**77,507,880**	**1,484,935**	**78,992,815**

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2018			
Core markets	63,840,501	4,866,282	2,005,764	624,334	71,336,882	232,717	71,569,598
Austria	219,322	125	62,006	-	281,453	24,811	306,264
Croatia	-	-	-	-	-	-	-
Romania	63,617,082	4,865,684	1,943,756	624,334	71,050,856	207,905	71,258,761
Serbia	280	-	-	-	281	-	281
Slovakia	30	-	-	-	30	-	30
Czech Republic	3,786	-	-	-	3,786	-	3,786
Hungary	1	472	3	-	476	-	476
Other EU	**326,900**	**7,523**	**257,680**	**1,133**	**593,236**	**-**	**593,236**
Other industrialised countries	**11,097**	**103**	**623**	**-**	**11,823**	**-**	**11,823**
Emerging markets	**265,562**	**30,610**	**17,811**	**-**	**313,983**	**-**	**313,983**
Southeastern Europe/CIS	257,741	30,224	17,605	-	305,571	-	305,571
Asia	1,147	371	-	-	1,518	-	1,518
Latin America	6,083	1	-	-	6,084	-	6,084
Middle East/Africa	591	14	206	-	810	-	810
Total	**64,444,061**	**4,904,517**	**2,281,878**	**625,467**	**72,255,924**	**232,717**	**72,488,640**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2019			
Core markets	**64,531,026**	**7,515,753**	**1,497,623**	**524,137**	**74,068,538**	**1,424,356**	**75,492,894**
Austria	542,545	28,233	8,962	-	579,739	33,355	613,093
Romania	63,973,247	7,487,519	1,488,661	524,137	73,473,565	1,391,001	74,864,566
Serbia	119	-	-	-	119	-	119
Slovakia	30	-	-	-	30	-	30
Czech Republic	30	-	-	-	30	-	30
Hungary	15,055	1	-	-	15,056	-	15,056
Other EU	**324,942**	**27,093**	**209,320**	**1,592**	**562,946**	**10,569**	**573,516**
Other industrialised countries	**2,209**	**285**	**18**	**-**	**2,512**	**49,922**	**52,434**
Emerging markets	**33,619**	**5,788**	**152**	**-**	**39,558**	**88**	**39,646**
Southeastern Europe/CIS	13,516	5,596	-	-	19,112	-	19,112
Asia	17,363	3	-	-	17,366	88	17,454
Latin America	65	1	-	-	66	-	66
Middle East/Africa	2,674	189	152	-	3,015	-	3,015
Total	**64,891,795**	**7,548,919**	**1,707,113**	**525,729**	**74,673,556**	**1,484,935**	**76,158,491**

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2018			
Core markets	**61,272,680**	**4,808,188**	**1,896,771**	**624,303**	**68,601,942**	**232,844**	**68,834,786**
Austria	167,906	125	62,006	-	230,037	24,811	254,848
Croatia	-	-	-	-	-	-	-
Romania	61,100,677	4,807,590	1,834,762	624,303	68,367,332	208,032	68,575,364
Serbia	280	-	-	-	281	-	281
Slovakia	30	-	-	-	30	-	30
Czech Republic	3,786	-	-	-	3,786	-	3,786
Hungary	1	472	3	-	476	-	476
Other EU	**326,900**	**7,522**	**257,680**	**1,133**	**593,236**	**-**	**593,236**
Other industrialised countries	**11,097**	**103**	**623**	**-**	**11,823**	**-**	**11,823**
Emerging markets	**19,619**	**3,668**	**232**	**-**	**23,520**	**-**	**23,520**
Southeastern Europe/CIS	11,799	3,283	27	-	15,108	-	15,108
Asia	1,147	371	-	-	1,518	-	1,518
Latin America	6,083	1	-	-	6,084	-	6,084
Middle East/Africa	591	14	206	-	810	-	810
Total	**61,630,297**	**4,819,482**	**2,155,307**	**625,436**	**69,230,521**	**232,844**	**69,463,364**

In 2019 the defaulted part of POCI amounted to RON 334,257 thousands in Group and Bank as well, while the non-defaulted part to RON 191,472 thousands.
In 2018 the defaulted part of POCI amounted to RON 459,920 thousands in Group, while the non-defaulted part to RON 165,547 thousands. The majority of POCI amounts are registered in Bank, the defaulted value being RON 459,889 thousands and the non-defaulted amount RON 165,547 thousands.

Credit risk exposure by business segment and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Retail	**24,029,481**	**1,402,294**	**1,183,679**	**1,004,290**	**27,619,744**
Retail	24,029,481	1,402,294	1,183,679	1,004,290	27,619,744
Corporates	**20,339,691**	**5,372,580**	**1,465,759**	**1,024,351**	**28,202,382**
Small and Medium Enterprises	5,025,216	3,600,868	397,307	261,567	9,284,957
Group Large Corporates	5,676,415	772,639	224,765	179,333	6,853,152
Local Large Corporates	1,892,194	557,716	612,357	555,830	3,618,098
Public Sector	5,464,140	366,071	230,320	12,658	6,073,190
Commercial Real Estate	2,281,726	75,285	1,010	14,964	2,372,985
Group Markets	**1,737,033**	**23,388**	**19,293**	**1,833**	**1,781,547**
Group Markets - Trading	506,858	2,871	660	1,828	512,217
Group Markets - Financial Institutions	1,230,175	20,517	18,633	6	1,269,330
Asset/Liability Management and Local Corporate Center	**21,263,715**	**40,320**	**3,954**	**81,153**	**21,389,142**
Asset/Liability Management	20,838,271	-	-	68,967	20,907,239
Corporate Center	425,444	40,320	3,954	12,185	481,903
Total	**67,369,920**	**6,838,582**	**2,672,685**	**2,111,627**	**78,992,815**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2018		
Retail	**22,322,177**	**1,497,382**	**828,669**	**1,167,725**	**25,815,953**
Retail	22,322,177	1,497,382	828,669	1,167,725	25,815,953
Corporates	**17,453,635**	**5,242,025**	**1,368,612**	**1,627,233**	**25,691,505**
Small and Medium Enterprises	4,471,228	3,012,717	304,913	418,785	8,207,643
Group Large Corporates	4,725,904	558,384	212,509	333,371	5,830,169
Local Large Corporates	1,044,497	1,351,191	621,767	819,482	3,836,938
Public Sector	5,085,915	274,267	227,909	15,256	5,603,347
Commercial Real Estate	2,126,091	45,467	1,513	40,339	2,213,410
Group Markets	**1,201,840**	**3,028**	**24**	**-**	**1,204,891**
Group Markets - Trading	216,904	214	-	-	217,118
Group Markets - Financial Institutions	984,935	2,814	24	-	987,773
Asset/Liability Management and Local Corporate Center	**19,559,769**	**185,116**	**16,204**	**15,202**	**19,776,291**
Asset/Liability Management	19,546,448	1,862	1,125	4,507	19,553,941
Corporate Center	13,322	183,254	15,079	10,695	222,349
Total	**60,537,421**	**6,927,551**	**2,213,508**	**2,810,160**	**72,488,640**

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Retail	**22,617,122**	**1,396,075**	**1,183,128**	**956,931**	**26,153,256**
Retail	22,617,122	1,396,075	1,183,128	956,931	26,153,256
Corporates	**18,515,124**	**4,846,981**	**1,456,849**	**1,006,693**	**25,825,647**
Small and Medium Enterprises	3,200,648	3,075,269	387,757	243,909	6,907,583
Group Large Corporates	5,676,415	772,639	224,765	179,333	6,853,152
Local Large Corporates	1,892,194	557,716	612,996	555,830	3,618,737
Public Sector	5,464,140	366,071	230,320	12,658	6,073,190
Commercial Real Estate	2,281,726	75,285	1,010	14,964	2,372,985
Group Markets	**1,744,819**	**23,388**	**20,098**	**1,833**	**1,790,138**
Group Markets - Trading	506,858	2,871	660	1,828	512,217
Group Markets - Financial Institutions	1,237,961	20,517	19,438	6	1,277,921
Asset/Liability Management and Local Corporate Center	**22,174,221**	**40,320**	**93,607**	**81,301**	**22,389,450**
Asset/Liability Management	21,748,780	-	89,653	69,009	21,907,443
Corporate Center	425,441	40,320	3,954	12,292	482,007
Total	**65,051,286**	**6,306,764**	**2,753,683**	**2,046,759**	**76,158,491**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2018		
Retail	**20,594,302**	**1,493,103**	**828,019**	**1,078,891**	**23,994,316**
Retail	20,594,302	1,493,103	828,019	1,078,891	23,994,316
Corporates	**15,853,670**	**4,773,752**	**1,359,403**	**1,563,827**	**23,550,652**
Small and Medium Enterprises	2,871,262	2,544,443	287,011	355,379	6,058,095
Group Large Corporates	4,725,904	558,384	212,509	333,371	5,830,169
Local Large Corporates	1,044,497	1,351,191	630,461	819,482	3,845,631
Public Sector	5,085,915	274,267	227,909	15,256	5,603,347
Commercial Real Estate	2,126,091	45,467	1,513	40,339	2,213,410
Group Markets	**1,203,958**	**3,028**	**794**	**-**	**1,207,779**
Group Markets - Trading	217,031	214	-	-	217,245
Group Markets - Financial Institutions	986,927	2,814	794	-	990,535
Asset/Liability Management and Local Corporate Center	**20,371,618**	**194,833**	**126,193**	**17,974**	**20,710,617**
Asset/Liability Management	20,352,542	1,862	111,021	4,507	20,469,933
Corporate Center	19,076	192,971	15,172	13,466	240,685
Total	**58,023,548**	**6,464,716**	**2,314,408**	**2,660,692**	**69,463,364**

Credit risk exposure by business segment and IFRS 9 treatment

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2019			
Retail	**23,246,006**	**3,209,208**	**886,635**	**277,145**	**27,618,994**	**750**	**27,619,744**
Retail	23,246,006	3,209,208	886,635	277,145	27,618,994	750	27,619,744
Corporates	**22,248,799**	**3,964,344**	**804,199**	**248,574**	**27,265,915**	**936,467**	**28,202,382**
Small and Medium Enterprises	8,300,538	701,677	230,126	47,919	9,280,260	4,697	9,284,957
Group Large Corporates	5,101,372	1,570,530	178,653	680	6,851,236	1,916	6,853,152
Local Large Corporates	2,218,867	842,560	367,798	186,201	3,615,426	2,672	3,618,098
Public Sector	4,271,010	848,566	12,658	13,774	5,146,008	927,181	6,073,190
Commercial Real Estate	2,357,012	1,010	14,964	-	2,372,985	-	2,372,985
Group Markets	**1,228,775**	**93,765**	**6**	**-**	**1,322,546**	**459,001**	**1,781,547**
Group Markets - Trading	86,570	-	-	-	86,570	425,647	512,217
Group Markets - Financial Institutions	1,142,205	93,765	6	-	1,235,976	33,355	1,269,330
Asset/Liability Management and Local Corporate Center	**21,035,014**	**184,259**	**81,142**	**10**	**21,300,425**	**88,716**	**21,389,142**
Asset/Liability Management	20,725,766	112,506	68,967	-	20,907,239	-	20,907,239
Corporate Center	309,248	71,753	12,175	10	393,186	88,716	481,903
Total	**67,758,594**	**7,451,576**	**1,771,981**	**525,729**	**77,507,880**	**1,484,935**	**78,992,815**

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2018			
Retail	**23,244,113**	**1,327,329**	**946,777**	**297,735**	**25,815,953**	**-**	**25,815,953**
Retail	23,244,113	1,327,329	946,777	297,735	25,815,953	-	25,815,953
Corporates	**20,559,149**	**3,476,661**	**1,322,054**	**327,722**	**25,685,586**	**5,920**	**25,691,505**
Small and Medium Enterprises	6,863,498	909,607	328,709	101,621	8,203,434	4,208	8,207,643
Group Large Corporates	4,987,131	509,666	332,161	1,210	5,830,169	-	5,830,169
Local Large Corporates	2,033,670	983,795	605,590	212,171	3,835,226	1,712	3,836,938
Public Sector	4,503,287	1,072,085	15,256	12,719	5,603,347	-	5,603,347
Commercial Real Estate	2,171,563	1,508	40,338	-	2,213,410	-	2,213,410
Group Markets	**986,541**	**6,737**	**-**	**-**	**993,277**	**211,614**	**1,204,891**
Group Markets - Trading	30,315	-	-	-	30,315	186,803	217,118
Group Markets - Financial Institutions	956,225	6,737	-	-	962,962	24,811	987,773
Asset/Liability Management and Local Corporate Center	**19,654,259**	**93,791**	**13,048**	**10**	**19,761,108**	**15,183**	**19,776,291**
Asset/Liability Management	19,449,806	86,578	2,374	-	19,538,758	15,183	19,553,941
Corporate Center	204,452	7,213	10,673	10	222,349	-	222,349
Total	**64,444,061**	**4,904,517**	**2,281,878**	**625,467**	**72,255,924**	**232,717**	**72,488,640**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2019			
Retail	**21,829,175**	**3,206,911**	**839,275**	**277,145**	**26,152,506**	**750**	**26,153,256**
Retail	21,829,175	3,206,911	839,275	277,145	26,152,506	750	26,153,256
Corporates	**19,983,588**	**3,870,477**	**786,541**	**248,574**	**24,889,180**	**936,467**	**25,825,647**
Small and Medium Enterprises	6,035,326	607,172	212,468	47,919	6,902,885	4,697	6,907,583
Group Large Corporates	5,101,372	1,570,530	178,653	680	6,851,236	1,916	6,853,152
Local Large Corporates	2,218,867	843,199	367,798	186,201	3,616,065	2,672	3,618,737
Public Sector	4,271,010	848,566	12,658	13,774	5,146,008	927,181	6,073,190
Commercial Real Estate	2,357,012	1,010	14,964	-	2,372,985	-	2,372,985
Group Markets	**1,237,366**	**93,765**	**6**	**-**	**1,331,137**	**459,001**	**1,790,138**
Group Markets - Trading	86,570	-	-	-	86,570	425,647	512,217
Group Markets - Financial Institutions	1,150,796	93,765	6	-	1,244,566	33,355	1,277,921
Asset/Liability Management and Local Corporate Center	**21,841,666**	**377,766**	**81,291**	**10**	**22,300,734**	**88,716**	**22,389,450**
Asset/Liability Management	21,532,421	306,013	69,009	-	21,907,443	-	21,907,443
Corporate Center	309,246	71,753	12,282	10	393,290	88,716	482,007
Total	**64,891,795**	**7,548,919**	**1,707,113**	**525,729**	**74,673,556**	**1,484,935**	**76,158,491**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
				31.12.2018			
Retail	**21,491,153**	**1,324,620**	**880,839**	**297,704**	**23,994,316**	**-**	**23,994,316**
Retail	21,491,153	1,324,620	880,839	297,704	23,994,316	-	23,994,316
Corporates	**18,610,465**	**3,347,898**	**1,258,648**	**327,722**	**23,544,732**	**5,920**	**23,550,652**
Small and Medium Enterprises	4,910,597	776,366	265,303	101,621	6,053,887	4,208	6,058,095
Group Large Corporates	4,987,131	509,666	332,161	1,210	5,830,169	-	5,830,169
Local Large Corporates	2,037,886	988,272	605,590	212,171	3,843,919	1,712	3,845,631
Public Sector	4,503,287	1,072,085	15,256	12,719	5,603,347	-	5,603,347
Commercial Real Estate	2,171,563	1,508	40,338	-	2,213,410	-	2,213,410
Group Markets	**989,302**	**6,737**	**-**	**-**	**996,039**	**211,741**	**1,207,779**
Group Markets - Trading	30,315	-	-	-	30,315	186,929	217,245
Group Markets - Financial Institutions	958,987	6,737	-	-	965,723	24,811	990,535
Asset/Liability Management and Local Corporate Center	**20,539,377**	**140,228**	**15,819**	**10**	**20,695,434**	**15,183**	**20,710,617**
Asset/Liability Management	20,321,226	131,149	2,374	-	20,454,749	15,183	20,469,933
Corporate Center	218,151	9,079	13,445	10	240,685	-	240,685
Total	**61,630,297**	**4,819,482**	**2,155,307**	**625,436**	**69,230,521**	**232,844**	**69,463,364**

Non-performing credit risk exposure and credit loss allowances

For the definition of credit risk exposure classified as non-performing, please refer to the description of risk categories in the subsection ‘Internal rating system’. Credit risk provisions include specific and collective allowances and provisions for guarantees.

Credit loss allowances (all stages combined) covered 112.99% (2018: 94.89%) in case of Group and 113.54 % (2018: 95.52 %) in case of BCR of the reported non-performing on-balance and off-balance credit risk exposure as of 31 December 2019. For the portion of the non-performing credit risk exposure that is not covered by allowances, Group assumes there are sufficient levels of collateral and expected other recoveries.

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

The following tables show the coverage of the non-performing credit risk exposure by credit loss allowances (without taking into consideration the collateral) as of 31 December 2019 and 31 December 2018.

The non-performing exposure ratio (NPE ratio) is calculated as the non-performing credit risk exposure divided by total credit risk exposure while the NPE coverage ratio (excl. collateral) is calculated according to Group's internal definition by dividing total loss allowances by non-performing credit risk exposure. Collateral or other recoveries are not taken into account.

Non-performing credit risk exposure by business segment and coverage by credit loss allowances

Group

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
31.12.2019												
Retail	1,004,290	1,004,290	27,619,744	27,618,994	(1,161,220)	363,828	363,828	3.64%	3.64%	115.63%	36.23%	36.23%
Corporates	1,024,351	1,020,790	28,202,382	27,265,915	(1,121,637)	358,220	357,246	3.63%	3.74%	109.88%	34.97%	35.00%
Group Markets	1,833	6	1,781,547	1,322,546	(1,962)	-	-	0.10%	0.00%	35200.20%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	81,153	81,153	21,389,142	21,300,425	(95,003)	-	-	0.38%	0.38%	117.07%	0.00%	0.00%
Total	**2,111,627**	**2,106,238**	**78,992,815**	**77,507,880**	**(2,379,822)**	**722,047**	**721,074**	**2.67%**	**2.72%**	**112.99%**	**34.19%**	**34.24%**

Group

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
31.12.2018												
Retail	1,167,725	1,167,725	25,815,953	25,815,953	(1,175,233)	348,080	348,080	4.52%	4.52%	100.64%	29.81%	29.81%
Corporates	1,627,233	1,621,314	25,691,505	25,685,586	(1,459,491)	518,598	511,157	6.33%	6.31%	90.02%	31.87%	31.53%
Group Markets	-	-	1,204,891	993,277	(638)	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	15,202	13,069	19,776,291	19,761,108	(23,633)	-	-	0.08%	0.07%	180.83%	0.00%	0.00%
Total	**2,810,160**	**2,802,108**	**72,488,640**	**72,255,924**	**(2,658,996)**	**866,678**	**859,237**	**3.88%**	**3.88%**	**94.89%**	**30.84%**	**30.66%**

Bank

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
31.12.2019												
Retail	956,931	956,931	26,153,256	26,152,506	(1,113,910)	360,646	360,646	3.66%	3.66%	116.40%	37.69%	37.69%
Corporates	1,006,693	1,003,132	25,825,647	24,889,180	(1,102,324)	301,170	300,197	3.90%	4.03%	109.89%	29.92%	29.93%
Group Markets	1,833	6	1,790,138	1,331,137	(1,986)	-	-	0.10%	0.00%	35629.91%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	81,301	81,301	22,389,450	22,300,734	(99,529)	-	-	0.36%	0.36%	122.42%	0.00%	0.00%
Total	**2,046,759**	**2,041,369**	**76,158,491**	**74,673,556**	**(2,317,748)**	**661,816**	**660,843**	**2.69%**	**2.73%**	**113.54%**	**32.33%**	**32.37%**

Bank

in RON thousands	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage (excl. collateral)	NPE collateralization ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
31.12.2018												
Retail	1,078,891	1,078,891	23,994,316	23,994,316	(1,109,109)	347,983	347,983	4.50%	4.50%	102.80%	32.25%	32.25%
Corporates	1,563,827	1,557,908	23,550,652	23,544,732	(1,395,260)	477,583	477,523	6.64%	6.62%	89.56%	30.54%	30.65%
Group Markets	-	-	1,207,779	996,039	(661)	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Asset/Liability Management and Local Corporate Center	17,974	15,841	20,710,617	20,695,434	(28,723)	-	-	0.09%	0.08%	181.32%	0.00%	0.00%
Total	**2,660,692**	**2,652,640**	**69,463,364**	**69,230,521**	**(2,533,752)**	**825,565**	**825,506**	**3.83%**	**3.83%**	**95.52%**	**31.03%**	**31.12%**

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

The Expected Credit Loss (ECL) model

The general principles and standards for expected credit loss measurement are governed by internal policies, methodologies and procedures. According to IFRS 9, credit loss allowances are calculated for all components of the credit risk exposure which are measured at amortised cost (AC) or at fair value through other comprehensive income and include other demand deposits, debt securities, loans and advances to customers as well as finance lease and trade receivables. Provisions for loan commitments and financial guarantees are calculated if they meet the applicable IFRS 9 respective definitions.

According to the IFRS 9 there are three main stages outlined for expected credit loss (ECL) determination:

- A financial instrument that is not credit-impaired on initial recognition or for which credit risk has not increased significantly since initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months;
- If a significant increase in credit risk (SICR) since initial recognition is identified but the exposure is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. Instruments in Stage 2 have their ECL measured based on lifetime ("LT") expected credit losses arising from default events that are possible over the expected life of the instrument. In the case of drawings by non-defaulted customers on previously committed credit lines, depending on the development of credit risk between the commitment date and the drawing date, the whole exposure (on-balance and off-balance) is categorised as either Stage 1 or Stage 2.
- If the financial instrument is considered credit-impaired, it is moved to Stage 3. Instruments in Stage 3 have their ECL measured based on lifetime expected credit losses;
- Purchased or originated credit-impaired (POCI) financial instruments are those financial instruments that are credit-impaired on initial recognition. Their ECL is always measured on LT basis.

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are presented below:

Significant increase in credit risk determination

In the area of expected credit loss (ECL) modelling and calculation of ensuing credit loss allowances (CLA), the Group has concluded that one of the key drivers of the impact from applying the ECL model required by IFRS 9 is the assessment of significant increase in credit risk (SICR) for exposures that are not identified as credit-impaired as at the reporting date. In this respect, across portfolios and product types, quantitative and qualitative criteria are defined for assessing SICR, including the 30 days-past-due (DPD) criteria as a backstop.

Quantitative criteria

Quantitative SICR indicators include adverse changes in annualized lifetime probability of default and in lifetime probability of default with significance being assessed by relative change thresholds (before Q4 2019 the significance of the adverse changes in annualized lifetime probability of default and in lifetime probability of default was assessed by a mix of relative and absolute change thresholds; starting with Q4 2019 the absolute change of loan lifetime probability of default is not considered anymore to identifying SICR). However this change resulted in marginal impact. In order for SICR to occur for a particular financial instrument, the relative threshold need to be breached. The relative measure is calculated as a ratio between current annualized PD at reporting date and annualized PD value on initial recognition. These ratios are compared against limits set up as threshold for SICR assessment. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level for each consolidated entity, as necessary, and are subject to annual validation. Low credit risk exemption criteria was implemented starting with November 2019 and applied only for Sovereign financial assets.

Sensitivity of ECL to SICR threshold changes

Determining SICR implies using significant assumptions in measuring one year or lifetime default. The following table presents the sensitivity analysis of how changes in relative SICR thresholds would affect ECL for the Group. The sensitivity is calculated by adding / subtracting indicated values from the current threshold level. Effects of the threshold changes by +/- 0.5 and +/- 1 are shown, however the threshold is floored to 1 as values of the ratio below 1 indicate creditworthiness improvement (i.e. if threshold is 1.13 values used for sensitivity analysis for +/- 0.5 would decrease the threshold to 1 and increase of the threshold to 1.63).

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

Relative thresholds for SICR assessment

Group

Romania	Threshold intervals		Sensitivity analysis (RON thousands)			
			Threshold change +/- 0.5		Threshold change +/- 1	
	Min	Max	ECL impact increase*	ECL impact decrease*	ECL impact increase*	ECL impact decrease*
31.12.2019	1.13	3.36	(43,525)	41,134	(69,354)	79,876
31.12.2018	1.13	3.36	(22,385)	25,183	(43,371)	44,770

* Increase/Decrease refers to increasing/lowering of threshold (i.e. current threshold equals 3.36 and sensitivity is 0.5, then increase refers to threshold of 3.86 and decrease to 2.86 – therefore increase leads to release of ECL and decrease to additional ECL. Minimal threshold of 1.13 refers to sovereign rating classes.

There are certain portfolios where SICR quantitative criteria are assessed based on the rating changes rather than PD changes. Main rule implemented is that downgrade of the ratings (i.e. if rating at initial recognition was 3 and current rating is 4c) would lead to identification of a significant increase in credit risk. These rules are primarily applied for leasing and factoring business receivables. There are no additional cure periods established for quantitative criteria for migration back to Stage 1 other than those already established in general credit risk practice. (e.g. for rating improvement).

Qualitative criteria

Some of the main qualitative SICR criteria used include:

- forbearance-type flags (identification of regulatory forbearance),
- work-out transfer flag (when account starts being monitored by work-out department),
- information from early-warning-system (if it is not sufficiently considered in rating) and
- fraud indicators.

The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and timely. The related group-wide and entity-level credit risk controlling policies and procedures ensure the necessary governance framework. These indicators are used internally for identification of insolvency or increased probability that a borrower will enter bankruptcy and there is increased risk of default in the foreseeable future. Besides the qualitative indicators defined on client level, the assessment of significant increase in credit risk is performed on portfolio level if the increase in credit risk on individual instrument or client level is only available with a certain time lag or is observable exclusively on portfolio level. There are no additional cure periods established for qualitative criteria for migration back to Stage 1 other than those already established in general credit risk practice for the used above-mentioned flags (forbearance, watch lists).

Backstop

A backstop is applied and the financial instruments are considered to have experienced a SICR if the borrower is more than 30 days past due on contractual payments. As observed during validation, this does not represent a major trigger for Stage 2 classification.

BCR assigns Stage 2 to “Datio in solutum” eligible performing portfolio of the Bank considered to be with increased risk of notification and expected credit losses using lifetime risk parameters are booked. Stage 3 is assigned to all loans where notifications were received based on law’s provisions (77/2016). The total number of notifications received based on Law 77/2016 (Datio in solutum law 77/2016 allows the borrowers to fully settle their liability by transferring to the Bank the ownership right over the real estate mortgages used as collateral for loans) in 2019 is 149 (out of which 109 represent active accounts at 31st December 2019) comparable to 2018 when the total number of notifications received based on Law 77/2016 provisions were related to 122 accounts (out of which 93 represent active accounts at 31st December 2018).

Low credit risk exemption

The ‘low credit risk exemption’ allowed by IFRS 9 for ‘investment grade’ assets or other assets deemed ‘low risk’ (and resulting in 12 months expected credit losses being calculated irrespective of SICR quantitative measures) has been implemented with limitations in Group.Thus, the potential activation of this exemption is limited to particular types of debt instruments and counterparty categories, and only if supported by sufficient ‘low risk’ evidence. On this basis, the ‘low risk exemption’ is expected to be occasionally applied only to banks and sovereigns. As of 31 December 2019 the Group registered low credit risk exposures for sovereign clients.

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

Purchased or Originated Credit Impaired ("POCI") exposures

POCI includes financial instruments which were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses against POCI exposures are always calculated on a lifetime basis and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets.

Credit-impaired assets

Stage 3 includes financial instruments which are credit-impaired at the reporting date but were not credit-impaired at initial recognition. In principle, a financial instrument becomes credit-impaired when the customer defaults. The default definition applied in the Group has been developed in accordance with EBA/GL/2016/07 'Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013. The Group generally applies a customer view in applying the default definition, which leads to an impairment of all claims even if the customer defaults only on one of several transactions ('pulling effect'). On the other side, an upgrade to a non-defaulted rating grade implies that the total exposure ceases to be impaired.

Measurement of ECL

The measurement of ECLs is a probability-weighted average estimate of credit losses that reflect the time value of money. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate ("EIR") of the same instrument, or the credit-adjusted EIR in case of purchased or originated credit impaired assets. For the purposes of measuring ECL, the Group estimates expected cash shortfalls, which reflect the cash flows expected from all possible sources including collateral and other credit enhancements that are part of the contractual terms. In the case of a collateralized financial instrument, the estimated expected cash flows related to the collateral reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the discounted costs of obtaining and selling the collateral. ECL is calculated over the residual period over which the Bank is exposed to credit risk. The residual period is defined based on the substantive terms of the instrument, including the Group's ability to demand repayment or cancellation and the customer's ability to require extension. However, for revolving credit facilities (i.e. those that include both a loan and an undrawn commitment component) the period of exposure is determined in accordance with the Group's expected credit risk management actions to mitigate credit risk, including terminating or limiting credit exposure. In doing so, the Group considers its normal credit risk mitigation process, its past practice, future intentions and expected credit risk mitigation actions.

For exposures to non-defaulted customers (i.e. in Stage 1 and Stage 2) the Bank determines ECL on a collective basis irrespective of the significance of the customer. The calculation of ECL for non-defaulted customers requires grouping the related exposures into homogenous groups on the basis of shared credit risk characteristics. The grouping criteria may differ on the customer segment (retail, corporate) and include product type, collateral type, repayment type, loan to value band or credit rating band. The calculation of credit loss allowances is done on a monthly basis on a single exposure level and in the contractual currency of the exposure. ECL is determined as the product of exposure at default ("EAD") that also includes a credit conversion factor in case of off balance sheet exposures, probability of default ("PD") and loss given default ("LGD"), discounted with the original EIR, as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (as per definition of default below), either over the next 12 month ("1Y PD") or over the remaining lifetime ("LT PD");
- EAD is based on the amounts the Group expects to be owed at the time of default, over next 12 months ("1Y EAD") or over remaining lifetime ("LT EAD"). The estimation includes current balance, expected repayments and expected drawings up to the current contractual limit by the time of default, should it occur;
- LGD represents the Group's expectation of the extent of loss on defaulted exposures. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit exposure at the time of default (EAD).

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

Lifetime parameters

The LT PD is developed through observation of historical defaults from initial recognition through the lifetime of the loans. It is assumed to be the same across all assets in the same portfolio and rating band. The 1Y and LT EADs are determined based on the expected payment profiles, which vary by different product types. The LT EAD calculation utilizes repayment schedule or repayment type (annuity, linear, bullet). In the case of undrawn commitments, a credit conversion factor is estimated for reflecting the expected credit exposure in the EAD. The LGD is estimated as a life-time curve for any point in time, based on the historical loss observations.

The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends. Generally, the risk parameters applied in the calculation of IFRS 9 ECL differ from the risk parameters compliant with capital requirement regulations, calculated on a through-the-cycle basis.

Incorporation of Forward Looking Information (FLI)

Parameters are determined to reflect the risk as a 'point-in-time' measure and with consideration of forward-looking information ('FLI'), which resulted in introducing a baseline forecast and a number of alternative scenarios for selected macroeconomic variables. The Group defines 3 macroeconomic scenarios (base, optimistic and adverse) which are allocated specific weights that reflect their outcome probability. The base scenario represents the most likely scenario and is aligned with the information used by the Group for strategic planning and budgeting purposes. Weights assigned to each macroeconomic scenario are used to determine the final ECL as a weighted average of individual ECL estimated for each scenario.

Given multiple scenarios, the main risk parameters (PD and LGD) are adjusted through macro models which link relevant macroeconomic variables with portfolio level risk drivers. The same macro-shift models as for credit risk stress testing are employed. For some portfolios and/or some risk parameters the Forward looking information is incorporated for first three years of ECL measurement. Measurement of the parameters for the remaining lifetime returns back to through-the-cycle observations immediately in the year four. Thus, the unbiased, probability-weighted ECL is derived with the weights representing the occurrence probabilities of each macroeconomic scenario.

Typical macroeconomic variables include real gross domestic product, unemployment rate, inflation rate, FX rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. Nevertheless, main indication of the estimated economic development can be predicted through the GDP development.

ECL for Stage 3 or POCI

ECL on Stage 3 or POCI exposures are calculated individually or collectively. The individual approach is applied in case of exposures to significant defaulted customers and consists of the individual assessment of the difference between the gross carrying amount and the net present value of the expected cash flows which are estimated by workout or risk managers. The discounting of the cash flows is based on the effective interest rate (POCI: credit-adjusted effective interest rate). However, for financial guarantees the discount rate shall reflect the current market assessment of the time value of money and the risks that are specific to the cash flows which in Group's implementation means using a risk free rate as a proxy. A defaulted customer is classified as individually significant if the total on- and off-balance exposure exceeds a predefined materiality limit. Otherwise, the customer is considered as insignificant and a rule-based approach is used for the calculation of the related credit loss allowance. Under this approach, credit loss allowances are calculated as the product of gross carrying amount and LGD, where the LGD depends on characteristics such as time in default or the stage of the workout process.

Composition of credit loss allowances

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Credit loss allowances	(2,013,381)	(2,241,894)	(1,948,082)	(2,114,925)
Loss allowances for loan commitments and financial guarantees	(366,441)	(417,101)	(369,667)	(418,827)
Provisions for other commirments	(889)	(3)	(889)	(3)
Total	**(2,380,711)**	**(2,658,999)**	**(2,318,637)**	**(2,533,755)**

Credit loss allowances and loss allowances for loan commitments and financial guarantees are computed based on IFRS 9 requirements, while provisions for other commitments are subject to IAS 37.

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

Restructuring and renegotiation

Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potential and effective customer retention tool involving re-pricing or the offering of an additional loan or both in order to maintain the bank's valuable, good clientele.

Forbearance

BCR's definition of "forbearance" follows the EBA's Technical Standards on forbearance included in Regulation (EU) 2015/227. A restructuring is considered "forbearance" if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- the customer has an active default event;
- the customer was more than 30 days past due in the past 3 months;
- the customer would be 30 days past due or more without receiving forbearance;
- the contract modification involves total or partial cancellation by write-off of the debt on any of the customer's credit obligations while at customer level open credit exposure still remains (only for retail clients);
- riskier ratings are assigned following a deterioration by minimum 2 points of the previous rating (applicable only for non-retail clients)

Forborne exposure is assessed at loan contract level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Concession means that any of the following conditions are met:

- modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution.

Forbearance can be initiated by the Bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

Forbearance measures are divided and reported as:

- performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance);
- non-performing forbearance (incl. non-performing forbearance and defaulted/impaired forbearance); starting with May 2019 also the non-performing forbearance has assigned a default event.

Forborne exposures are considered performing when:

- the exposure did not have non-performing status at the time the extension of or application for forbearance was approved;
- granting the forbearance has not led to classifying the exposure as non-performing or default.

Performing forborne exposures become non-performing when one of the following forbearance classifications is fulfilled during the monitoring period of a minimum of two years:

- an additional forbearance measure is extended and in the past the customer was in the non-performing forbearance category;
- the customer becomes more than 30 days past due on forborne exposure and in the past the customer was in the non-performing forbearance category;
- the customer meets any of the default event criteria defined in the default definition;
- for corporate customers, when a final restructuring agreement cannot be concluded within 18 months after the first forbearance measure.

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

The performing forbearance classification can be discontinued and the account can become a non-forborne account when all of the following conditions are met:

- a minimum of two years have passed from the date of classifying the exposure as performing forbearance (probation period);
- under the forborne payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid at least during half of the probation period (in the case of retail customers);
- regular repayments in a significant amount during at least half of the probation period have been made (in the case of corporate customers);
- none of the exposure of the customer is more than 30 days past due at the end of the probation period.

An exposure is considered as non-performing forborne, if at the moment of forbearance measures implementation client meets at least one of the conditions mentioned below:

- The account/product is already classified as non-performing exposure;
- The account/product becomes non-performing after the concession implementation.

Non performing forbearance can be allocated as a result of a downgrade from a performing/ performing under probation forbearance status.

If for a performing forborne contract the customer meets any of the default event criteria defined in the Group internal default definition, the account will be classified as non-performing.

If for or a performing under probation contract at least one of the below triggers will take place, the account will be classified as non-performing:

- an additional forbearance measure is extended at account level, this being at least the 2nd restructuring measure at client level, in more than 2 years from receiving the last forbearance measure or
- the account has more than 30 day past due during the monitoring period, or
- the customer meets any of the default event criteria defined in the Group internal default definition.

The non-performing forbearance classification can be discontinued and reclassified as performing under probation when all of the following conditions are met:

- one year has passed from the date of classifying the exposure as non-performing forbearance;
- the forbearance has not led the exposure to be classified as non-performing;
- retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following:
    - the customer has never been more than 30 days past due during the last 6 months and there is no delinquent amount;
    - the customer has repaid the full past due amount or the written-off amount (if there was any).
- corporate customers: analysis of financial development that leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the monitoring period and there is no delinquent amount.

In the corporate segment, recognition of forbearance measures typically leads to the involvement of the responsible local workout unit. The largest part of the forbearance measures are set and monitored within the responsibility of the local workout units according to the internal regulations and standards for the workout involvement. Forbearance measures are defined as qualitative trigger events in the SICR concept according to the internal regulations of Erste Group.

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

Credit risk exposure, forbearance exposure and credit loss allowances

Group

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2019		
Gross exposure	**42,706,186**	**21,857,677**	**5,134,000**	**9,294,952**	**78,992,815**
thereof gross forborne exposure	1,062,231	-	-	23,351	1,085,581
Performing exposure	**40,987,821**	**21,855,649**	**4,774,658**	**9,263,061**	**76,881,188**
thereof performing forborne exposure	267,428	-	-	5,030	272,458
Credit loss allowances for performing exposure	**(777,841)**	**(16,092)**	**(43,209)**	**(50,851)**	**(887,993)**
thereof credit loss allowances for performing forborne exposure	(14,088)	-	-	(437)	(14,525)
Non-performing exposure	**1,718,366**	**2,028**	**359,342**	**31,892**	**2,111,627**
thereof non-performing forborne exposure	794,803	-	-	18,321	813,124
Credit loss allowances for non-performing exposure	**(1,218,839)**	**(609)**	**(253,187)**	**(20,083)**	**(1,492,718)**
thereof credit loss allowances for non-performing forborne exposure	(504,989)	-	-	(14,453)	(519,442)

Group

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2018		
Gross exposure	**38,749,172**	**21,016,020**	**4,016,448**	**8,706,999**	**72,488,640**
thereof gross forborne exposure	1,376,389	-	-	15,356	1,391,744
Performing exposure	**36,531,580**	**20,990,781**	**3,548,360**	**8,607,760**	**69,678,480**
thereof performing forborne exposure	333,926	-	-	4,957	338,882
Credit loss allowances for performing exposure	**(624,540)**	**(14,400)**	**(46,116)**	**(36,741)**	**(721,798)**
thereof credit loss allowances for performing forborne exposure	(46,265)	-	-	(180)	(46,445)
Non-performing exposure	**2,217,593**	**25,239**	**468,089**	**99,239**	**2,810,160**
thereof non-performing forborne exposure	1,042,463	-	-	10,399	1,052,862
Credit loss allowances for non-performing exposure	**(1,601,351)**	**(1,603)**	**(287,241)**	**(47,006)**	**(1,937,201)**
thereof credit loss allowances for non-performing forborne exposure	(631,630)	-	-	(6,318)	(637,948)

Bank

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2019		
Gross exposure	**40,949,225**	**20,537,848**	**5,043,615**	**9,627,802**	**76,158,491**
thereof gross forborne exposure	1,032,547	-	-	23,351	1,055,897
Performing exposure	**39,295,877**	**20,535,820**	**4,684,166**	**9,595,869**	**74,111,732**
thereof performing forborne exposure	266,381	-	-	5,030	271,411
Credit loss allowances for performing exposure	**(743,230)**	**(10,510)**	**(43,197)**	**(54,089)**	**(851,026)**
thereof credit loss allowances for performing forborne exposure	(14,041)	-	-	(437)	(14,478)
Non-performing exposure	**1,653,348**	**2,028**	**359,449**	**31,934**	**2,046,759**
thereof non-performing forborne exposure	766,166	-	-	18,321	784,487
Credit loss allowances for non-performing exposure	**(1,193,733)**	**(609)**	**(253,187)**	**(20,083)**	**(1,467,612)**
thereof credit loss allowances for non-performing forborne exposure	(488,797)	-	-	(14,453)	(503,250)

Bank

in RON thousands	Loans and advances	Debt securities	Other on- and off-balance-sheet positions	Loan commitments	Total
			31.12.2018		
Gross exposure	**37,087,556**	**19,396,433**	**3,987,066**	**8,992,310**	**69,463,364**
thereof gross forborne exposure	1,341,057	-	-	15,356	1,356,413
Performing exposure	**34,999,338**	**19,394,058**	**3,516,205**	**8,893,071**	**66,802,672**
thereof performing forborne exposure	327,373	-	-	4,957	332,330
Credit loss allowances for performing exposure	**(603,945)**	**(9,537)**	**(46,105)**	**(38,478)**	**(698,065)**
thereof credit loss allowances for performing forborne exposure	(45,885)	-	-	(180)	(46,065)
Non-performing exposure	**2,088,218**	**2,374**	**470,860**	**99,239**	**2,660,692**
thereof non-performing forborne exposure	1,013,684	-	-	10,399	1,024,083
Credit loss allowances for non-performing exposure	**(1,499,850)**	**(1,593)**	**(287,241)**	**(47,006)**	**(1,835,690)**
thereof credit loss allowances for non-performing forborne exposure	(615,239)	-	-	(6,318)	(621,557)

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

Types of forbearance exposure

Group

in RON thousands	Gross forborne exposure	Modification in terms and conditions	Refinancing	Gross forborne exposure	Modification in terms and conditions	Refinancing
	31.12.2019			31.12.2018		
Loans and advances	1,062,231	1,060,989	1,242	1,376,389	1,369,176	7,212
Debt securities	-	-	-	-	-	-
Loan commitments	23,351	23,351	-	15,356	12,698	2,658
Total	**1,085,581**	**1,084,339**	**1,242**	**1,391,744**	**1,381,874**	**9,871**

Bank

in RON thousands	Gross forborne exposure	Modification in terms and conditions	Refinancing	Gross forborne exposure	Modification in terms and conditions	Refinancing
	31.12.2019			31.12.2018		
Loans and advances	1,032,547	1,031,347	1,199	1,341,057	1,333,876	7,181
Debt securities	-	-	-	-	-	-
Loan commitments	23,351	23,351	-	15,356	12,698	2,658
Total	**1,055,897**	**1,054,698**	**1,199**	**1,356,413**	**1,346,574**	**9,839**

Loans and advances figures include finance lease receivables and trade and other receivables.

Collaterals

Main types of collateral

The following types of collateral are accepted:

- real estate comprises residential and commercial real estate;
- financial collateral: such as securities, cash deposits and life insurance policies;
- guarantees given by sovereigns, public sector entities, financial institutes, companies and individuals. All guarantors must have a minimum credit rating, which is reviewed annually;
- movables: such as equipment, investment goods, machineries and motor vehicles;
- claims and rights: such as account receivables of trade, leasehold rights and shares in a company's capital.

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

The following tables compare the credit risk exposure and allocated collateral broken down by business segments.

						Group
in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
			31.12.2019			
Retail	**27,619,744**	**16,006,267**	**4,536,085**	**11,322,298**	**147,884**	**11,613,477**
Retail	27,619,744	16,006,267	4,536,085	11,322,298	147,884	11,613,477
Corporates	**28,202,382**	**9,056,401**	**2,331,075**	**3,216,787**	**3,508,539**	**19,145,981**
Small and Medium Enterprises	9,284,957	4,274,320	699,150	1,254,250	2,320,919	5,010,638
Group Large Corporates	6,853,152	1,331,859	1,106,146	138,923	86,790	5,521,294
Local Large Corporates	3,618,098	876,241	212,644	233,243	430,354	2,741,856
Public Sector	6,073,190	1,003,903	313,135	20,293	670,475	5,069,286
Commercial Real Estate	2,372,985	1,570,078	-	1,570,078	-	802,907
Group Markets	**1,781,547**	**985,504**	**554,460**	**-**	**431,044**	**796,043**
Group Markets - Trading	512,217	-	-	-	-	512,217
Group Markets - Financial Institutions	1,269,330	985,504	554,460	-	431,044	283,826
Asset/Liability Management and Local Corporate Center	**21,389,142**	**6,517**	**-**	**-**	**6,517**	**21,382,625**
Asset/Liability Management	20,907,239	-	-	-	-	20,907,239
Corporate Center	481,903	6,517	-	-	6,517	475,386
Total	**78,992,815**	**26,054,690**	**7,421,620**	**14,539,085**	**4,093,984**	**52,938,126**

						Group
in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
			31.12.2018			
Retail	**25,815,953**	**14,370,167**	**4,242,714**	**10,013,702**	**113,751**	**11,445,786**
Retail	25,815,953	14,370,167	4,242,714	10,013,702	113,751	11,445,786
Corporates	**25,691,505**	**8,467,720**	**1,965,068**	**2,625,342**	**3,877,311**	**17,223,785**
Small and Medium Enterprises	8,207,643	3,843,022	635,530	1,158,574	2,048,918	4,364,621
Group Large Corporates	5,830,169	934,865	729,822	166,589	38,453	4,895,303
Local Large Corporates	3,836,938	1,106,332	262,316	225,760	618,256	2,730,606
Public Sector	5,603,347	1,526,125	337,399	21,706	1,167,020	4,077,222
Commercial Real Estate	2,213,410	1,057,376	-	1,052,712	4,664	1,156,034
Group Markets	**1,204,891**	**684,690**	**601,633**	**-**	**83,057**	**520,201**
Group Markets - Trading	217,118	-	-	-	-	217,118
Group Markets - Financial Institutions	987,773	684,690	601,633	-	83,057	303,083
Asset/Liability Management and Local Corporate Center	**19,776,291**	**55,998**	**-**	**-**	**55,998**	**19,720,293**
Asset/Liability Management	19,553,941	50,000	-	-	50,000	19,503,941
Corporate Center	222,349	5,998	-	-	5,998	216,351
Total	**72,488,640**	**23,578,575**	**6,809,415**	**12,639,044**	**4,130,116**	**48,910,065**

						Bank
in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
			31.12.2019			
Retail	**26,153,256**	**15,880,031**	**4,536,085**	**11,206,298**	**137,647**	**10,273,226**
Retail	26,153,256	15,880,031	4,536,085	11,206,298	137,647	10,273,226
Corporates	**25,825,647**	**7,057,022**	**2,300,309**	**3,129,815**	**1,626,898**	**18,768,625**
Small and Medium Enterprises	6,907,583	2,274,941	668,384	1,167,278	439,279	4,632,642
Group Large Corporates	6,853,152	1,331,859	1,106,146	138,923	86,790	5,521,294
Local Large Corporates	3,618,737	876,241	212,644	233,243	430,354	2,742,496
Public Sector	6,073,190	1,003,903	313,135	20,293	670,475	5,069,286
Commercial Real Estate	2,372,985	1,570,078	-	1,570,078	-	802,907
Group Markets	**1,790,138**	**986,643**	**555,265**	**-**	**431,378**	**803,495**
Group Markets - Trading	512,217	-	-	-	-	512,217
Group Markets - Financial Institutions	1,277,921	986,643	555,265	-	431,378	291,278
Asset/Liability Management and Local Corporate Center	**22,389,450**	**6,517**	**-**	**-**	**6,517**	**22,382,933**
Asset/Liability Management	21,907,443	-	-	-	-	21,907,443
Corporate Center	482,007	6,517	-	-	6,517	475,490
Total	**76,158,491**	**23,930,212**	**7,391,659**	**14,336,113**	**2,202,440**	**52,228,278**

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

Bank

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
			31.12.2018			
Retail	**23,994,316**	**14,243,612**	**4,242,714**	**9,906,039**	**94,859**	**9,750,704**
Retail	23,994,316	14,243,612	4,242,714	9,906,039	94,859	9,750,704
Corporates	**23,550,652**	**6,615,437**	**1,910,107**	**2,535,079**	**2,170,251**	**16,935,214**
Small and Medium Enterprises	6,058,095	1,990,739	580,569	1,068,312	341,858	4,067,356
Group Large Corporates	5,830,169	934,865	729,822	166,589	38,453	4,895,303
Local Large Corporates	3,845,631	1,106,332	262,316	225,760	618,256	2,739,299
Public Sector	5,603,347	1,526,125	337,399	21,706	1,167,020	4,077,222
Commercial Real Estate	2,213,410	1,057,376	-	1,052,712	4,664	1,156,034
Group Markets	**1,207,779**	**686,682**	**601,633**	**-**	**85,048**	**521,098**
Group Markets - Trading	217,245	-	-	-	-	217,245
Group Markets - Financial Institutions	990,535	686,682	601,633	-	85,048	303,853
Asset/Liability Management and Local Corporate Center	**20,710,617**	**325,009**	**-**	**-**	**325,009**	**20,385,608**
Asset/Liability Management	20,469,933	319,011	-	-	319,011	20,150,922
Corporate Center	240,685	5,998	-	-	5,998	234,687
Total	**69,463,364**	**21,870,740**	**6,754,454**	**12,441,119**	**2,675,167**	**47,592,624**

Credit risk exposure by financial instrument and collateral

Group

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
			31.12.2019			
Cash and cash balances - demand deposits to central banks and credit institutions	478,009	-	-	-	-	478,009
Debt instruments held for trading	429,356	-	-	-	-	429,356
Non-trading debt instruments at FVPL	53,484	973	-	973	-	52,510
Debt instruments at FVOCI	6,059,185	-	-	-	-	6,059,185
Debt instruments at AC	56,779,066	22,655,510	6,325,987	14,180,777	2,148,746	34,123,556
Debt securities	15,748,570	-	-	-	-	15,748,570
Loans and advances to banks	662,158	426,234	-	-	426,234	235,923
Loans and advances to customers	40,368,338	22,229,276	6,325,987	14,180,777	1,722,512	18,139,063
Trade and other receivables	515,322	20,759	8,938	1,335	10,486	494,564
Finance lease receivables	1,156,806	1,116,887	-	10,771	1,106,115	39,920
Off balance-sheet exposures	13,521,587	2,260,561	1,086,696	345,229	828,637	11,261,026
out of which: other commitments	1,002,096	578,401	-	-	578,401	423,694
Total	**78,992,815**	**26,054,690**	**7,421,620**	**14,539,085**	**4,093,984**	**52,938,126**

Group

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
			31.12.2018			
Cash and cash balances - demand deposits to central banks and credit institutions	202,567	-	-	-	-	202,567
Debt instruments held for trading	213,965	-	-	-	-	213,965
Non-trading debt instruments at FVPL	5,920	59	-	59	-	5,860
Debt instruments at FVOCI	5,124,698	-	-	-	-	5,124,698
Debt instruments at AC	52,926,795	19,821,305	5,807,219	12,329,573	1,684,513	33,105,490
Debt securities	15,891,323	-	-	-	-	15,891,323
Loans and advances to banks	124,122	50,004	-	-	50,004	74,118
Loans and advances to customers	36,911,350	19,771,301	5,807,219	12,329,573	1,634,509	17,140,049
Trade and other receivables	694,943	72,014	22,720	1,413	47,881	622,929
Finance lease receivables	1,012,837	991,702	-	12,059	979,643	21,135
Debt instruments held for sale in disposal groups	-	-	-	-	-	-
Positive fair value of hedge accounting derivatives	-	-	-	-	-	-
Off balance-sheet exposures	12,306,915	2,693,495	979,475	295,940	1,418,080	9,613,420
out of which: other commitments	12,832	-	-	-	-	12,832
Total	**72,488,640**	**23,578,575**	**6,809,415**	**12,639,044**	**4,130,116**	**48,910,065**

42. Risk management *(continued)*
42.5. Credit risk *(continued)*

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral
						Bank
			31.12.2019			
Cash and cash balances - demand deposits to central banks and credit institutions	396,405	-	-	-	-	396,405
Debt instruments held for trading	429,356	-	-	-	-	429,356
Non-trading debt instruments at FVPL	53,484	973	-	973	-	52,510
Debt instruments at FVOCI	6,057,252	-	-	-	-	6,057,252
Debt instruments at AC	54,884,549	21,667,071	6,307,171	13,991,148	1,368,753	33,217,478
Debt securities	14,430,674	-	-	-	-	14,430,674
Loans and advances to banks	728,596	426,234	-	-	426,234	302,361
Loans and advances to customers	39,725,279	21,240,837	6,307,171	13,991,148	942,519	18,484,442
Trade and other receivables	488,097	9,538	1,547	1,328	6,663	478,560
Finance lease receivables	3,692	-	-	-	-	3,692
Off balance-sheet exposures	13,845,656	2,252,630	1,082,942	342,665	827,023	11,593,026
out of which: other commitments	1,002,096	578,401	-	-	578,401	423,694
Total	**76,158,491**	**23,930,212**	**7,391,659**	**14,336,113**	**2,202,440**	**52,228,278**

in RON thousands	Total credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral
						Bank
			31.12.2018			
Cash and cash balances - demand deposits to central banks and credit institutions	146,789	-	-	-	-	146,789
Debt instruments held for trading	214,092	-	-	-	-	214,092
Non-trading debt instruments at FVPL	5,920	59	-	59	-	5,860
Debt instruments at FVOCI	5,089,620	-	-	-	-	5,089,620
Debt instruments at AC	50,725,301	19,051,113	5,762,132	12,143,884	1,145,097	31,674,188
Debt securities	14,306,812	-	-	-	-	14,306,812
Loans and advances to banks	391,811	50,004	-	-	50,004	341,807
Loans and advances to customers	36,026,677	19,001,109	5,762,132	12,143,884	1,095,093	17,025,568
Trade and other receivables	663,148	66,418	17,124	1,413	47,881	596,730
Finance lease receivables	-	-	-	-	-	-
Off balance-sheet exposures	12,618,495	2,753,150	975,198	295,762	1,482,189	9,865,345
out of which: other commitments	12,832	-	-	-	-	12,832
Total	**69,463,364**	**21,870,740**	**6,754,454**	**12,441,119**	**2,675,167**	**47,592,624**

Loans and advances to customers

The tables on the following pages present the structure of the customer loan book, excluding loans to central banks and credit institutions broken-down by different categories. Loans and advances to customers comprise:

- loans to customers at FVPL;
- loans and advances to customers at AC;
- finance lease receivables;
- trade and other receivables.

On the next pages loans and advances to customers are presented by:

- business segment and risk category;
- business segment and IFRS 9 treatment;
- business segment and coverage of non-performing loans to customers by loan loss allowances;
- business segment and coverage by loan loss allowances and IFRS 9 treatment;
- business segment and currency.

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

Loans and advances to customers by business segment and risk category

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Retail	21,306,956	1,340,836	1,073,599	997,877	24,719,268
Corporates	11,475,820	3,792,172	1,069,245	710,322	17,047,558
Group Markets	16,165	-	26	6	16,197
Asset/Liability Management and Local Corporate Center	195,601	3	1,062	10,162	206,827
Total	**32,994,542**	**5,133,010**	**2,143,932**	**1,718,366**	**41,989,850**

Group

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2018		
Retail	19,444,804	1,470,162	812,285	1,139,736	22,866,987
Corporates	9,816,182	3,545,634	1,027,312	1,067,157	15,456,284
Group Markets	20,054	-	24	-	20,078
Asset/Liability Management and Local Corporate Center	34,425	155,540	8,516	10,692	209,172
Total	**29,315,465**	**5,171,335**	**1,848,137**	**2,217,585**	**38,552,522**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2019		
Retail	21,105,520	1,335,655	1,073,049	950,517	24,464,741
Corporates	9,769,049	3,389,589	1,059,695	625,725	14,844,058
Group Markets	16,165	-	26	6	16,197
Asset/Liability Management and Local Corporate Center	829,923	3	1,062	10,162	841,149
Total	**31,720,657**	**4,725,247**	**2,133,832**	**1,586,409**	**40,166,145**

Bank

in RON thousands	Low risk	Management attention	Substandard	Non-performing	Total
			31.12.2018		
Retail	19,232,893	1,465,912	811,635	1,073,768	22,584,209
Corporates	8,295,199	3,172,010	1,009,838	1,003,751	13,480,799
Group Markets	20,054	-	24	-	20,078
Asset/Liability Management and Local Corporate Center	363,216	155,540	8,516	10,692	537,963
Total	**27,911,363**	**4,793,462**	**1,830,013**	**2,088,211**	**36,623,049**

Loans and advances to customers by business segment and IFRS 9 treatment

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Gross customer loans (AC)	Not subject to IFRS 9 impairment	Total
				31.12.2019			
Retail	20,528,439	3,040,712	881,759	268,358	24,719,268	-	24,719,268
Corporates	13,317,022	2,991,533	542,166	193,276	17,043,997	3,562	17,047,558
Group Markets	13,446	2,745	6	-	16,197	-	16,197
Asset/Liability Management and Local Corporate Center	146,534	50,131	10,151	10	206,827	-	206,827
Total	**34,005,441**	**6,085,121**	**1,434,082**	**461,644**	**41,986,289**	**3,562**	**41,989,850**

Group

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Gross customer loans (AC)	Not subject to IFRS 9 impairment	Total
				31.12.2018			
Retail	20,321,936	1,312,939	943,604	288,508	22,866,987	-	22,866,987
Corporates	11,695,554	2,665,739	781,081	307,991	15,450,365	5,920	15,456,284
Group Markets	20,055	23	-	-	20,078	-	20,078
Asset/Liability Management and Local Corporate Center	198,164	327	10,671	10	209,172	-	209,172
Total	**32,235,709**	**3,979,028**	**1,735,355**	**596,510**	**38,546,602**	**5,920**	**38,552,522**

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Gross customer loans (AC)	Not subject to IFRS 9 impairment	Total
				31.12.2019			
Retail	20,323,568	3,038,415	834,400	268,358	24,464,741	-	24,464,741
Corporates	11,289,835	2,899,816	457,569	193,276	14,840,496	3,562	14,844,058
Group Markets	13,446	2,745	6	-	16,197	-	16,197
Asset/Liability Management and Local Corporate Center	728,285	102,702	10,151	10	841,149	-	841,149
Total	**32,355,135**	**6,043,678**	**1,302,126**	**461,644**	**40,162,583**	**3,562**	**40,166,145**

Bank

in RON thousands	Stage 1	Stage 2	Stage 3	POCI	Gross customer loans (AC)	Not subject to IFRS 9 impairment	Total
				31.12.2018			
Retail	20,107,835	1,310,230	877,667	288,477	22,584,209	-	22,584,209
Corporates	9,913,973	2,535,240	717,675	307,991	13,474,879	5,920	13,480,799
Group Markets	20,055	23	-	-	20,078	-	20,078
Asset/Liability Management and Local Corporate Center	526,955	327	10,671	10	537,963	-	537,963
Total	**30,568,818**	**3,845,820**	**1,606,012**	**596,478**	**36,617,129**	**5,920**	**36,623,049**

In the following tables, the non-performing loans and advances to customers divided by reporting segment are contrasted with allowances for customer loans and the collateral for non-performing loans (NPL). The NPL ratio, the NPL coverage ratio (excl. collateral), and the NPL collateralization ratio are also included.

Non-performing loans and advances to customers by business segment and coverage by loan loss allowances

Group

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2019						
Retail	997,877	997,877	24,719,268	24,719,268	(1,148,135)	363,119	363,119	4.0%	4.0%	115.1%	36.4%	36.4%
Corporates	710,322	706,760	17,047,558	17,043,997	(832,048)	298,427	297,453	4.2%	4.1%	117.7%	42.0%	42.1%
Group Markets	6	6	16,197	16,197	(24)	-	-	0.0%	0.0%	429.5%	0.0%	0.0%
Asset/Liability Management and Local Corporate Center	10,162	10,162	206,827	206,827	(13,489)	-	-	4.9%	4.9%	132.8%	0.0%	0.0%
Total	**1,718,366**	**1,714,804**	**41,989,850**	**41,986,289**	**(1,993,696)**	**661,546**	**660,572**	**4.1%**	**4.1%**	**116.3%**	**38.5%**	**38.5%**

Group

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2018						
Retail	1,139,736	1,136,185	22,866,987	22,866,987	(1,171,862)	348,006	348,006	5.0%	5.0%	103.1%	30.5%	30.6%
Corporates	1,067,157	1,040,435	15,456,284	15,450,365	(1,043,723)	395,803	395,744	6.9%	6.7%	100.3%	37.1%	38.0%
Group Markets	-	-	20,078	20,078	(28)	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Asset/Liability Management and Local Corporate Center	10,692	10,692	209,172	209,172	(9,309)	-	-	5.1%	5.1%	87.1%	0.0%	0.0%
Total	**2,217,585**	**2,187,312**	**38,552,522**	**38,546,602**	**(2,224,922)**	**743,809**	**743,750**	**5.8%**	**5.7%**	**101.7%**	**33.5%**	**34.0%**

Bank

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2019						
Retail	950,517	950,517	24,464,741	24,464,741	(1,101,343)	359,937	359,937	3.9%	3.9%	115.9%	37.9%	37.9%
Corporates	625,725	622,163	14,844,058	14,840,496	(751,842)	241,377	240,404	4.2%	4.2%	120.8%	38.6%	38.6%
Group Markets	6	6	16,197	16,197	(24)	-	-	0.0%	0.0%	429.5%	0.0%	0.0%
Asset/Liability Management and Local Corporate Center	10,162	10,162	841,149	841,149	(14,629)	-	-	1.2%	1.2%	144.0%	0.0%	0.0%
Total	**1,586,409**	**1,582,847**	**40,166,145**	**40,162,583**	**(1,867,838)**	**601,314**	**600,341**	**3.9%**	**3.9%**	**118.0%**	**37.9%**	**37.9%**

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

Bank

in RON thousands	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
						31.12.2018						
Retail	1,073,768	1,073,768	22,584,209	22,584,209	(1,106,394)	347,908	347,908	4.8%	4.8%	103.0%	32.4%	32.4%
Corporates	1,003,751	997,832	13,480,799	13,474,879	(984,380)	354,788	354,729	7.4%	7.4%	98.7%	35.3%	35.5%
Group Markets	-	-	20,078	20,078	(28)	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Asset/Liability Management and Local Corporate Center	10,692	10,692	537,963	537,963	(9,974)	-	-	2.0%	2.0%	93.3%	0.0%	0.0%
Total	**2,088,211**	**2,082,291**	**36,623,049**	**36,617,129**	**(2,100,775)**	**702,696**	**702,637**	**5.7%**	**5.7%**	**100.9%**	**33.7%**	**33.7%**

Total gross customer loans, total non-performing loans, and total collateral include both AC and FVPL portfolios.

The NPL ratio of loans and advances to customers is calculated by dividing the gross carrying amount of non-performing loans and advances to customers by the total gross carrying amount of loans and advances to customers. Consequently, it differs from the NPE ratio in section ''Credit risk exposure'. Collaterals for non-performing loans mainly consist of real estates.

The NPL coverage ratio (excluding collateral) is calculated according to Group's internal definition by dividing total loss allowances (calculated for both performing and non-performing loans and advances to customers) by the gross carrying amount of the non-performing loans and advances to customers. Collateral or other recoveries are not taken into account.

Loans and advances to customers at AC and coverage by loan loss allowances by business segment and IFRS 9 treatment

Group

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
						31.12.2019					
Retail	20,528,439	3,040,712	881,759	268,358	(52,007)	(320,783)	(677,956)	(97,389)	10.5%	76.9%	36.3%
Corporates	13,317,022	2,991,533	542,166	193,276	(127,049)	(259,329)	(404,977)	(40,693)	8.7%	74.7%	21.1%
Group Markets	13,446	2,745	6	-	(17)	(2)	(5)	-	0.1%	88.7%	0.0%
Asset/Liability Management and Local Corporate Center	146,534	50,131	10,151	10	(96)	(2,761)	(10,632)	-	5.5%	104.7%	0.0%
Total	**34,005,441**	**6,085,121**	**1,434,082**	**461,644**	**(179,170)**	**(582,875)**	**(1,093,570)**	**(138,082)**	**9.6%**	**76.3%**	**29.9%**

Group

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
						31.12.2018					
Retail	20,321,936	1,312,939	943,604	288,508	(45,878)	(178,777)	(793,541)	(153,666)	13.6%	84.1%	53.3%
Corporates	11,695,554	2,665,739	781,081	307,991	(93,277)	(287,661)	(599,370)	(63,415)	10.8%	76.7%	20.6%
Group Markets	20,055	23	-	-	(27)	(1)	-	-	2.2%	0.0%	0.0%
Asset/Liability Management and Local Corporate Center	198,164	327	10,671	10	(56)	(15)	(9,238)	-	4.5%	86.6%	0.0%
Total	**32,235,709**	**3,979,028**	**1,735,355**	**596,510**	**(139,238)**	**(466,454)**	**(1,402,149)**	**(217,081)**	**11.7%**	**80.8%**	**36.4%**

Bank

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
						31.12.2019					
Retail	20,323,568	3,038,415	834,400	268,358	(51,336)	(320,648)	(631,970)	(97,389)	10.6%	75.7%	36.3%
Corporates	11,289,835	2,899,816	457,569	193,276	(97,709)	(254,523)	(358,917)	(40,693)	8.8%	78.4%	21.1%
Group Markets	13,446	2,745	6	-	(17)	(2)	(5)	-	0.1%	88.7%	0.0%
Asset/Liability Management and Local Corporate Center	728,285	102,702	10,151	10	(869)	(3,128)	(10,632)	-	3.0%	104.7%	0.0%
Total	**32,355,135**	**6,043,678**	**1,302,126**	**461,644**	**(149,931)**	**(578,301)**	**(1,001,524)**	**(138,082)**	**9.6%**	**76.9%**	**29.9%**

42. Risk management *(continued)*

42.5. Credit risk *(continued)*

Bank

in RON thousands	Loans to customers				Loan loss allowances				Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI			
	31.12.2018										
Retail	20,107,835	1,310,230	877,667	288,477	(45,293)	(178,687)	(728,780)	(153,634)	13.6%	83.0%	53.3%
Corporates	9,913,973	2,535,240	717,675	307,991	(75,185)	(283,119)	(562,661)	(63,415)	11.2%	78.4%	20.6%
Group Markets	20,055	23	-	-	(27)	(1)	-	-	2.2%	0.0%	0.0%
Asset/Liability Management and Local Corporate Center	526,955	327	10,671	10	(721)	(15)	(9,238)	-	4.5%	86.6%	0.0%
Total	**30,568,818**	**3,845,820**	**1,606,012**	**596,478**	**(121,226)**	**(461,821)**	**(1,300,679)**	**(217,049)**	**12.0%**	**81.0%**	**36.4%**

Loans and advances to customers by business segment and currency

Group

in RON thousands	CEE-local currencies	EUR	CHF	USD	Other	Total
	31.12.2019					
Retail	17,878,228	6,826,641	37	14,347	16	24,719,268
Corporates	8,129,271	8,416,289	1	501,997	2	17,047,558
Group Markets	2,746	13,449	-	2	0	16,197
Asset/Liability Management and Local Corporate Center	190,958	15,716	7	147	-	206,827
Total	**26,201,203**	**15,272,094**	**44**	**516,492**	**18**	**41,989,850**

Group

in RON thousands	CEE-local currencies	EUR	CHF	USD	Other	Total
	31.12.2018					
Retail	15,283,778	7,564,938	61	18,101	109	22,866,987
Corporates	7,132,296	7,834,372	1	489,600	16	15,456,284
Group Markets	2,847	17,230	-	2	-	20,078
Asset/Liability Management and Local Corporate Center	198,250	10,840	-	82	-	209,172
Total	**22,617,171**	**15,427,379**	**62**	**507,784**	**125**	**38,552,522**

Bank

in RON thousands	CEE-local currencies	EUR	CHF	USD	Other	Total
	31.12.2019					
Retail	17,665,024	6,785,317	37	14,347	16	24,464,741
Corporates	7,785,020	6,571,288	1	487,748	2	14,844,058
Group Markets	2,746	13,449	-	2	0	16,197
Asset/Liability Management and Local Corporate Center	312,079	528,917	7	147	-	841,149
Total	**25,764,868**	**13,898,971**	**44**	**502,243**	**18**	**40,166,145**

Bank

in RON thousands	CEE-local currencies	EUR	CHF	USD	Other	Total
	31.12.2018					
Retail	15,059,415	7,506,527	61	18,096	109	22,584,209
Corporates	6,675,109	6,339,177	1	466,496	16	13,480,799
Group Markets	2,847	17,230	-	2	-	20,078
Asset/Liability Management and Local Corporate Center	527,042	10,840	-	82	-	537,963
Total	**22,264,412**	**13,873,774**	**62**	**484,675**	**125**	**36,623,049**

42. Risk management *(continued)*

42.6 Market risk

Definition and overview

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived therefrom. These market value changes might appear in the profit and loss account or in the statement of comprehensive income. Market risk is divided into interest rate risk, currency risk, equity risk and commodity risk. This concerns both trading and banking book positions.

Methods and instruments employed

Potential losses from the trading book that may arise from market movements are assessed using the value at risk ("VaR"). The calculation is done according to the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day and a simulation period of two years. The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions.

On the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation period of two years, and calculates the VaR for the current position of the bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted. These events include mainly market movements of low probability.

The VaR model was approved by the Financial Market Authority ("FMA") as an internal market risk model to determine the own funds requirements of the trading book of Erste Group pursuant to the Austrian Banking Act.

Methods and instruments of risk mitigation

Market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of VaR for the trading book is allocated by the management board within the Risk Appetite Framework while taking into account the risk-bearing capacity and projected earnings.

All market risk activities of the trading book are assigned risk limits that are statistically consistent in their entirety with the VaR overall limit. The VaR limit is assigned in a top-down procedure to the individual trading units. This is done down to the level of the individual trading groups or departments. Limit compliance is verified on a daily basis by the Market and Liquidity Risk unit. On demand limit reports can also be triggered by individual traders or chief traders on an ad hoc basis.

Principles of managing Interest Rate Risk in Banking Book

As an inherent part of its business, BCR is exposed to interest rate risk arising from the characteristics of assets, liabilities and off balance sheet items as well as arising from the expected development of the balance sheet and banking activity.

BCR has four methods which are used to measure interest rate risk in the banking book:

- Economic value measures (MVoE, EVE) to assess the market value change under certain scenarios;
- Value at Risk based measures used for economic capital allocation under Pillar 2;
- Earnings at risk measure (NII sensitivity) to assess the impact on operating income of certain scenarios on BCR level. This also comprises valuation impacts on other comprehensive income (OCI);
- Sensitivity measures (BP01,CR01) to assess the market value sensitivity of certain portfolios.

BCR has in place strategies, policies and practices to manage interest rate risks in accordance with the risk tolerance. All internal and regulatory limits are monitored and reported to senior management.

The strategic steering of interest rate risk exposure is future oriented and based on the forecasted movements of the market variables (primarily interest rates) and business developments over a given – typically medium to long term - planning horizon.

42. Risk management *(continued)*

42.6 Market risk *(continued)*

Principles of managing foreign exchange risk

The FX Risk shows the sensitivity of BCR's open FX position to FX rate fluctuations.

For both Banking Book and Trading Book, the FX position in BCR is monitored and reported on a daily basis. An internal limit was established as a percentage from own funds.

The FX risk from trading book portfolio is also monitored through VaR FX indicator on a daily basis together with total VaR by the Market and Liquidity Risk unit.

Analysis of market risk

Value at Risk of trading book

The following tables show the VaR amounts as of 31 December 2019 and 31 December 2018 using equally weighted market data and with a holding period of one year. The confidence level for internal models was increased from 99.9% in 2018 to 99.92% in 2019:

	FX position	Fixed Income	Money Market	Equity	Total Trading Book
As at 31 December 2019	328	12,128	11,657	-	22,969
As at 31 December 2018	166	5,749	1,056	-	5,444

Interest rate risk of banking book

Interest rate risk is the risk of an adverse change in the fair value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including transactions not recognized on the balance sheet, are grouped into maturity bands based on their remaining terms to maturity or terms to an interest rate adjustment (re-pricing). Positions without a fixed maturity (e.g. demand deposits) are included on the basis of modelled deposit rates that are determined by means of statistical methods.

The following tables list the open positions held by BCR by currency and re-pricing as of 31 December 2019 and 31 December 2018. Positive values indicate a surplus of asset items and therefore the unfavourable evolution would be a decrease in the interest rates; negative values represent a surplus on the liability side.

Bank							31.12.2019
in RON thousands		RON		EUR		Other currencies	
Maturity band	Weighting factors	Net position	Weighted position	Net position	Weighted position	Net position	Weighted position
≤ 1 m	0.08%	360,507	288	3,182,682	2,546	(148,498)	(119)
> 1 m, ≤ 3 m	0.32%	1,780,687	5,698	2,785,163	8,913	(638,095)	(2,042)
> 3 m, ≤ 6 m	0.72%	54,261	391	(1,040,530)	(7,492)	(298,971)	(2,153)
> 6 m, ≤ 12 m	1.43%	(275,397)	(3,938)	966,814	13,825	(350,443)	(5,011)
> 1 y, ≤ 2 y	2.77%	3,048,684	84,449	393,567	10,902	(215,466)	(5,968)
> 2 y, ≤ 3 y	4.49%	1,617,469	72,624	(876,808)	(39,369)	(213,223)	(9,574)
> 3 y, ≤ 4 y	6.14%	2,058,285	126,379	(877,439)	(53,875)	(192,119)	(11,796)
> 4 y, ≤ 5 y	7.71%	(6,824,009)	(526,131)	(2,939,146)	(226,608)	(705,464)	(54,391)
> 5 y, ≤ 7 y	10.15%	1,581,844	160,557	712,670	72,336	-	-
> 7 y, ≤ 10 y	13.26%	1,755,269	232,749	743,280	98,559	(231)	(31)
> 10 y, ≤ 15 y	17.84%	(22,007)	(3,926)	176,688	31,521	-	-
> 15 y, ≤ 20 y	22.43%	78	18	21,656	4,857	-	-
> 20 y	26.03%	(1,347)	(351)	(41,229)	(10,732)	(5,675)	(1,477)
Total			148,806		(94,616)		(92,562)

42. Risk management *(continued)*

42.6 Market risk *(continued)*

Bank							31.12.2018
in RON thousands		RON		EUR		Other currencies	
Maturity band	Weighting factors	Net position	Weighted position	Net position	Weighted position	Net position	Weighted position
≤ 1 m	0.08%	(820,933)	(657)	2,353,006	1,882	(281,805)	(225)
> 1 m, ≤ 3 m	0.32%	1,453,539	4,651	1,924,771	6,159	(633,845)	(2,028)
> 3 m, ≤ 6 m	0.72%	(493,052)	(3,550)	(1,184,592)	(8,529)	(299,081)	(2,153)
> 6 m, ≤ 12 m	1.43%	(866,242)	(12,387)	(1,013,174)	(14,488)	(333,098)	(4,763)
> 1 y, ≤ 2 y	2.77%	1,638,737	45,393	1,963,167	54,380	(143,664)	(3,980)
> 2 y, ≤ 3 y	4.49%	2,667,071	119,752	568,211	25,513	(200,664)	(9,010)
> 3 y, ≤ 4 y	6.14%	1,283,948	78,834	(820,824)	(50,399)	(198,560)	(12,192)
> 4 y, ≤ 5 y	7.71%	(5,155,074)	(397,456)	(3,674,569)	(283,309)	(604,192)	(46,583)
> 5 y, ≤ 7 y	10.15%	2,918,809	296,259	1,729,051	175,499	(40,458)	(4,106)
> 7 y, ≤ 10 y	13.26%	1,469,656	194,876	368,141	48,816	(233)	(31)
> 10 y, ≤ 15 y	17.84%	2,306	411	201,261	35,905	40	7
> 15 y, ≤ 20 y	22.43%	105	23	36,169	8,113	-	-
> 20 y	26.03%	(3,047)	(793)	(47,862)	(12,459)	(5,426)	(1,412)
Total			**325,357**		**(12,918)**		**(86,477)**

The weighting factors are the regulatory factors from the standardized approach for interest rate risk for banking book of Regulation 5/2013, where the assumed shocks are of 200 basis points. The potential impact of the parallel shift of the interest rates in the market value of equity (MVoE) under this approach is illustrated in the tables below. The regulatory and internal limit for this impact as a percentage from own funds is 20%, while the warning level is 15%.

Group			
in RON thousands			31.12.2019
Own Funds			7,938,581
The Potential Decrease in the Market Value of Equity	in absolute value	RON	173,314
		EUR	86,760
		Other currencies	92,109
		Total	**352,183**
	% of Own Funds		4.44%

Group			
in RON thousands			31.12.2018
Own Funds			7,269,043
The Potential Decrease in the Market Value of Equity	in absolute value	RON	347,564
		EUR	10,248
		Other currencies	85,841
		Total	443,653
	% of Own Funds		**6.10%**

Bank			
in RON thousands			31.12.2019
Own Funds			7,724,788
The Potential Decrease in the Market Value of Equity	in absolute value	RON	148,806
		EUR	94,616
		Other currencies	92,562
		Total	**335,984**
	% of Own Funds		4.35%

Bank			
in RON thousands			31.12.2018
Own Funds			7,284,094
The Potential Decrease in the Market Value of Equity	in absolute value	RON	325,357
		EUR	12,918
		Other currencies	86,477
		Total	424,753
	% of Own Funds		**5.83%**

The following table shows the changes in NII (Net Interest Income) for a 1 year period and the impact on fair value reserve (equity) due to an instantaneous parallel shift of the yield curves with ±1%, ±2%.

Bank		
RON thousands		31.12.2019
Shift	Sensitivity of Net Interest Income	Sensitivity of Fair Value reserve (Equity)
2%	212,066	(214,694)
1%	107,256	(109,388)
-1%	(93,563)	113,692
-2%	(212,839)	231,927

Bank		
RON thousands		31.12.2018
Shift	Sensitivity of Net Interest Income	Sensitivity of AFS reserve (equity)
2%	23,701	(188,647)
1%	26,412	(96,009)
-1%	(78,803)	99,561
-2%	(205,230)	202,866

42. Risk management *(continued)*

42.6 Market risk *(continued)*

Exchange rate risk

Risk from open foreign exchange positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on a daily basis. Foreign currency exposure is subject to internal limits.

42.7 Liquidity risk

Definition and overview

The liquidity risk is defined in the Group in line with the principles set out by the Basel Committee on Banking Supervision and the local regulator (National Bank of Romania). Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the Group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

Liquidity strategy

The Liquidity Strategy was defined in accordance with the Group's risk appetite and it was compliant with internal and regulatory limits. The Liquidity Strategy contains developments, rules and targets including (but not limited to) regulatory requirements (e.g. LCR, NSFR), liquidity buffer, funding plan and maturity profile of issued debt and secured and unsecured interbank funding.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period for each significant currency and total portfolio in the case of the Bank.

This analysis determines the maximum period during which the entity can survive a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The chosen worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of the customer.

The Bank monitors the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") according to CRR at both entity and group level, and has included the metrics in its internal Risk Appetite Statement.

Additionally, the traditional liquidity gaps (depicting the going concern maturity mismatches) of the subsidiaries and the group as a whole are reported and monitored regularly. Funding concentration risk is continuously analyzed in respect to counterparties. The Group's fund transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

Methods and instruments of risk mitigation

Short-term liquidity risk is managed by limits resulting from the survival period model, internal stress testing and by internal LCR targets at both entity and group level. Limit breaches are reported to the Asset Liability Committee (ALCO). Another important instrument for managing the liquidity risk within the Group and in relation to its subsidiaries is the FTP system. As the process of planning funding needs provides important information for liquidity management, a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across the Group.

The Contingency Plan of the Group ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency plans of the subsidiaries are coordinated as part of the plan for the Group.

42. Risk management *(continued)*
42.7 Liquidity risk (*continued*)

Analysis of liquidity risk

Financial assets

Maturities of contractual undiscounted cash flows from financial assets as of 31 December 2019 and 31 December 2018 respectively for the Group were as follows:

Group

in RON thousands	Carrying	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2019								
Non-derivative assets	**70,076,928**	**84,554,823**	**16,154,842**	**2,460,162**	**3,414,814**	**5,512,198**	**30,330,232**	**26,682,574**
Cash and cash balances	9,006,518	9,006,518	9,006,518	-	-	-	-	-
Debt securities	21,902,955	24,392,102	110,177	665,587	1,779,615	2,011,085	14,596,814	5,228,824
Loans and advances to banks	661,437	2,437,910	1,707,095	723,564	7,251	-	-	-
Loans and advances to customers	38,506,018	48,718,292	5,331,052	1,071,011	1,627,948	3,501,113	15,733,418	21,453,750
Derivatives	**40,100**	**4,567,269**	**1,097,910**	**2,212,905**	**350,918**	**872,511**	**32,623**	**402**

Group

in RON thousands	Carrying	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2018								
Non-derivative assets	**67,153,690**	**81,836,062**	**16,360,005**	**1,990,806**	**2,809,323**	**4,234,086**	**28,111,881**	**28,329,961**
Cash and cash balances	11,123,191	11,123,191	11,123,191	-	-	-	-	-
Debt securities	21,060,468	23,620,357	131,104	341,368	1,214,768	1,132,938	14,114,347	6,685,831
Loans and advances to banks	123,840	1,781,964	909,471	570,755	-	296,720	-	5,019
Loans and advances to customers	34,846,191	45,310,550	4,196,239	1,078,683	1,594,555	2,804,428	13,997,534	21,639,112
Derivatives	**31,062**	**3,318,401**	**2,198,552**	**818,929**	**99,850**	**26,858**	**172,513**	**1,698**

The financial assets as of 31 December 2019 and 31 December 2018 respectively for the Bank, were as follows:

Bank

in RON thousands	Carrying	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2019								
Non-derivative assets	**67,913,668**	**81,155,577**	**15,066,550**	**1,756,636**	**2,937,222**	**5,409,565**	**29,431,952**	**26,553,652**
Cash and cash balances	8,724,971	8,724,971	8,724,971	-	-	-	-	-
Debt securities	20,588,611	23,076,871	1,795	642,139	1,330,439	1,959,109	13,914,565	5,228,824
Loans and advances to banks	661,086	1,084,103	1,016,391	60,462	7,251	-	-	-
Loans and advances to customers	37,939,000	48,269,632	5,323,393	1,054,035	1,599,532	3,450,456	15,517,387	21,324,828
Derivatives	**40,100**	**4,567,269**	**1,097,910**	**2,212,905**	**350,918**	**872,511**	**32,623**	**402**

Bank

in RON thousands	Carrying	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2018								
Non-derivative assets	**64,747,638**	**78,270,036**	**15,439,828**	**1,397,718**	**2,407,441**	**4,153,289**	**26,679,335**	**28,192,426**
Cash and cash balances	10,862,852	10,862,852	10,862,852	-	-	-	-	-
Debt securities	19,444,203	21,930,420	94,183	291,789	834,276	1,120,185	12,904,157	6,685,831
Loans and advances to banks	388,848	649,139	300,226	47,174	-	296,720	-	5,019
Loans and advances to customers	34,051,735	44,827,626	4,182,567	1,058,754	1,573,165	2,736,384	13,775,179	21,501,577
Derivatives	**31,189**	**3,318,401**	**2,198,552**	**818,929**	**99,850**	**26,858**	**172,513**	**1,698**

42. Risk management (*continued*)

42.7 Liquidity risk (*continued*)

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2019 and 31 December 2018 for the Group, were as follows:

Group

in RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2019								
Non-derivative liabilities	**63,015,342**	**65,090,681**	**43,828,690**	**8,216,829**	**4,379,637**	**4,564,362**	**3,029,877**	**1,071,287**
Deposits by banks	3,371,847	4,799,476	3,453,075	683,481	11,902	67,223	422,695	161,100
Customer deposits	57,791,780	58,097,830	40,375,615	7,510,059	4,223,416	4,417,616	1,325,137	245,987
Debt securities in issue	784,402	998,550	-	-	144,318	52,073	137,959	664,200
Subordinated liabilities	1,067,313	1,194,826	-	23,289	-	27,451	1,144,086	-
Contingent liabilities	8,735,035	8,735,035	8,735,035	-	-	-	-	-
Financial guarantees	2,930,024	2,930,024	2,930,024	-	-	-	-	-
Irrevocable commitments	5,805,011	5,805,011	5,805,011	-	-	-	-	-
Derivatives	**73,498**	**4,583,850**	**1,103,169**	**2,220,263**	**365,079**	**862,061**	**32,875**	**402**

Group

in RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2018								
Non-derivative liabilities	**61,026,192**	**62,593,886**	**38,712,423**	**8,167,545**	**3,497,886**	**5,149,265**	**4,053,389**	**1,539,460**
Deposits by banks	4,536,098	5,643,902	2,578,799	604,115	25,881	865,162	1,374,167	195,778
Customer deposits	55,098,959	55,397,418	37,607,542	7,480,508	3,461,688	4,165,860	2,506,089	175,732
Debt securities in issue	349,153	334,238	-	59,490	10,318	91,297	173,133	-
Subordinated liabilities	1,041,982	1,218,329	-	23,432	-	26,946	-	-
Contingent liabilities	9,236,986	9,236,986	9,236,986	-	-	-	-	-
Financial guarantees	3,587,084	3,587,084	3,587,084	-	-	-	-	-
Irrevocable commitments	5,649,902	5,649,902	5,649,902	-	-	-	-	-
Derivatives	**32,988**	**3,316,387**	**2,200,667**	**818,106**	**89,677**	**23,436**	**182,801**	**1,700**

Compared to 2018, the volume of deposits (customers and banks) for the Group as of 31 December 2019 increased from RON 59,635,057 thousands to RON 61,163,627 thousands.

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2019 and 31 December 2018 respectively for the Bank were as follows:

Bank

in RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2019								
Non-derivative liabilities	**60,734,008**	**61,193,894**	**40,906,678**	**8,068,520**	**4,147,046**	**4,140,902**	**2,862,113**	**1,068,635**
Deposits by banks	3,106,869	3,180,837	1,915,835	682,074	7,602	63,047	351,179	161,100
Customer deposits	55,775,424	55,819,681	38,990,843	7,363,157	3,995,126	3,998,331	1,228,889	243,335
Debt securities in issue	784,402	998,550	-	-	144,318	52,073	137,959	664,200
Subordinated liabilities	1,067,313	1,194,826	-	23,289	-	27,451	1,144,086	-
Contingent liabilities	8,726,506	8,726,506	8,726,506	-	-	-	-	-
Financial guarantees	2,920,263	2,920,263	2,920,263	-	-	-	-	-
Irrevocable commitments	5,806,243	5,806,243	5,806,243	-	-	-	-	-
Derivatives	**73,498**	**4,583,850**	**1,103,169**	**2,220,263**	**365,079**	**862,061**	**32,875**	**402**

42. Risk management (*continued*)

42.7 Liquidity risk (*continued*)

Bank

in RON thousands	Carrying amounts	Contractual cash flows	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years
As of 31 December 2018								
Non-derivative liabilities	**57,734,047**	**58,123,700**	**37,628,283**	**7,992,188**	**3,329,612**	**4,348,013**	**3,286,205**	**1,539,399**
Deposits by banks	3,749,222	3,884,491	1,099,364	555,647	23,351	636,183	1,374,167	195,778
Customer deposits	52,593,690	52,686,643	36,528,918	7,353,619	3,295,943	3,593,587	1,738,905	175,670
Debt securities in issue	349,153	334,238	-	59,490	10,318	91,297	173,133	-
Subordinated liabilities	1,041,982	1,218,329	-	23,432	-	26,946	-	1,167,951
Contingent liabilities	9,265,277	9,265,277	9,265,277	-	-	-	-	-
Financial guarantees	3,613,353	3,613,353	3,613,353	-	-	-	-	-
Irrevocable commitments	5,651,924	5,651,924	5,651,924	-	-	-	-	-
Derivatives	**32,988**	**3,316,387**	**2,200,667**	**818,106**	**89,677**	**23,436**	**182,801**	**1,700**

Compared to 2018, the volume of deposits (customers and banks) for the Bank as of 31 December 2019 increased from RON 56,342,912 thousands to RON 58,882,293 thousands.
As of year-end 2019, the currency composition of the deposits consisted of approximately 65.92% RON (62.62% as of year-end 2018), 28.84% EUR (30.41% as of year-end 2018), 4.75% USD (4.42% as of year-end 2018) and the rest 0.49% in other currencies.

43. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is best evidenced by a quoted market price, if such exists. Credit Value Adjustment/Debt Value Adjustment is included in the fair value of derivatives, being not significant amount both at 31 December 2018 and 31 December 2019.

Level 1 of the fair value hierarchy

The fair value of financial instruments assigned to level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as a level 1 input if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis. This will be used as fair value and there is no need for a valuation model in this case.

These include exchange traded derivatives (futures, options), shares, government bonds as well as other bonds and funds which are traded in highly liquid and active markets.

Level 2 of the fair value hierarchy

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as level 2 of the fair value hierarchy. For level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters. These include over-the-counter (OTC) derivatives, less liquid shares, bonds and funds as well as and own issues. Should the spread be not observable it has to be tested if the unobservable input parameter is significant. An unobservable input parameter for theoretical priced securities is considered significant if the effect of the unobservable input on the fair value of the respective security is higher than 2%.

Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as level 3 fair value hierarchy. For level 3 valuations besides observable parameters typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters.

43. Fair value of financial assets and liabilities (*continued*)

43.1 Financial instruments measured at amortised cost in the statement of financial position whose fair value is disclosed in the notes

The following table shows fair values and fair value hierarchy of financial instruments whose fair value is disclosed in the notes for the year-end:

31.12.2019

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarhy			Carrying amount	Fair value	Fair value hierarhy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets										
Cash and cash balances	9,006,518	9,006,518	9,006,518	-	-	8,724,971	8,724,971	8,724,971	-	-
Financial assets at amortised cost	54,899,081	57,167,001	15,399,052	404,880	41,363,069	53,019,313	55,314,464	14,204,103	293,451	40,816,910
Loans and advances to banks	661,437	661,905	-	-	661,905	661,086	662,655	-	-	662,655
Loans and advances to customers	38,502,456	40,699,375	-	-	40,699,375	37,935,439	40,152,595	-	-	40,152,595
Debt securities	15,735,188	15,805,721	15,399,052	404,880	1,789	14,422,788	14,499,214	14,204,103	293,451	1,660
Finance lease receivables	1,117,933	1,117,933	-	-	1,117,933	3,399	3,399	-	-	3,399
Trade and other receivables	425,060	430,098	-	-	430,098	408,778	413,816	-	-	413,816
Liabilities										
Financial liabilities measured at amortised cost	63,678,655	63,393,635	-	782,547	62,611,088	61,395,958	61,112,942	-	782,547	60,330,395
Deposits from banks	4,439,160	4,460,839	-	-	4,460,839	4,174,183	4,197,837	-	-	4,197,837
Deposits from customers	57,791,780	57,486,936	-	-	57,486,936	55,775,424	55,470,609	-	-	55,470,609
Debt securities in issue	784,402	782,547	-	782,547	-	784,402	782,547	-	782,547	-
Other financial liabilities	663,313	663,313	-	-	663,313	661,949	661,949	-	-	661,949
Finance lease liabilities	327,050	327,050	-	-	327,050	323,721	323,721	-	-	323,721

31.12.2018

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarhy			Carrying amount	Fair value	Fair value hierarhy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets										
Cash and cash balances	11,123,191	11,123,191	11,123,191	-	-	10,862,852	10,862,852	10,862,852	-	-
Financial assets at amortised cost	50,843,219	52,621,067	15,315,789	217,006	37,088,272	48,732,568	50,539,773	13,816,377	158,127	36,565,269
Loans and advances to banks	123,840	125,628	-	-	125,628	388,848	391,703	-	-	391,703
Loans and advances to customers	34,840,271	36,861,031	-	-	36,861,031	34,045,815	36,072,575	-	-	36,072,575
Debt securities	15,879,108	15,634,408	15,315,789	217,006	101,613	14,297,905	14,075,495	13,816,377	158,127	100,991
Finance lease receivables	990,868	990,769	-	-	990,769	-	-	-	-	-
Trade and other receivables	563,014	563,014	-	-	563,014	543,179	543,179	-	-	543,179
						-	-	-	-	-
Liabilities										
Financial liabilities measured at amortised cost	61,618,808	61,321,312	-	365,027	60,956,285	58,326,984	58,038,801	-	365,027	57,673,774
Deposits from banks	5,578,080	5,621,747	-	-	5,621,747	4,791,204	4,844,361	-	-	4,844,361
Deposits from customers	55,098,959	54,741,917	-	-	54,741,917	52,593,690	52,236,476	-	-	52,236,476
Debt securities in issue	349,153	365,027	-	365,027	-	349,153	365,027	-	365,027	-
Other financial liabilities	592,616	592,621	-	-	592,621	592,937	592,937	-	-	592,937

43 Fair value of financial assets and liabilities *(continued)*

43.1 Financial instruments at amortised cost in the statement of financial position whose fair value is disclosed in the notes *(continued)*

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PD's used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of financial assets at amortized cost are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available, otherwise it is estimated by taking into consideration the actual interest rate environment and in this case they are allocated to Level 2.

The fair value of deposits and other financial liabilities measured at amortized cost is estimated by taking into consideration the actual interest rate environment and own credit spreads, and these are allocated to Level 3.

43.2 Financial instruments measured at fair value in the statement of financial position

Group

in RON thousands	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
Assets	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Financial assets - held for trading	**389,256**	**178,095**	**38,272**	**33,738**	**1,828**	**2,132**	**429,356**	**213,965**
Derivatives	-	-	38,272	28,930	1,828	2,132	40,100	31,062
Other financial assets held for trading	389,256	178,095	-	4,808	-	-	389,256	182,903
Non-trading financial assets at fair value through profit or loss	**2,949**	**2,400**	**-**	**-**	**90,923**	**36,995**	**93,872**	**39,395**
Equity instruments	2,949	2,400	-	-	37,439	31,075	40,388	33,475
Debt securities	-	-	-	-	49,922	-	49,922	-
Loans and advances	-	-	-	-	3,562	5,920	3,562	5,920
Financial assets at fair value through other comprehensive income	**6,109,769**	**5,031,042**	**1,942**	**144,301**	**6,133**	**46,738**	**6,117,844**	**5,222,081**
Equity instruments	-	-	-	-	-	40,721	-	40,721
Debt securities	6,109,769	5,031,042	1,942	144,301	6,133	6,017	6,117,844	5,181,360
Loans and advances	-	-	-	-	-	-	-	-
Total assets	**6,501,974**	**5,211,537**	**40,214**	**178,039**	**98,884**	**85,865**	**6,641,072**	**5,475,441**
Liabilities								
Financial liabilities - held for trading	-	-	73,498	32,988	-	-	73,498	32,988
Derivatives	-	-	73,498	32,988	-	-	73,498	32,988
Total liabilities	**-**	**-**	**73,498**	**32,988**	**-**	**-**	**73,498**	**32,988**

Bank

in RON thousands	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
Assets	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Financial assets - held for trading	**389,256**	**178,095**	**38,272**	**33,864**	**1,828**	**2,133**	**429,356**	**214,092**
Derivatives	-	-	38,272	29,056	1,828	2,133	40,100	31,189
Other financial assets held for trading	389,256	178,095	-	4,808	-	-	389,256	182,903
Non-trading financial assets at fair value through profit or loss	**2,949**	**2,400**	**-**	**-**	**90,671**	**36,752**	**93,620**	**39,152**
Equity instruments	2,949	2,400	-	-	37,187	30,832	40,136	33,232
Debt securities	-	-	-	-	49,922	-	49,922	-
Loans and advances	-	-	-	-	3,562	5,920	3,562	5,920
Financial assets at fair value through other comprehensive income	**6,109,769**	**5,031,042**	**-**	**109,239**	**6,133**	**46,738**	**6,115,902**	**5,187,019**
Equity instruments	-	-	-	-	-	40,721	-	40,721
Debt securities	6,109,769	5,031,042	-	109,239	6,133	6,017	6,115,902	5,146,298
Total assets	**6,501,974**	**5,211,537**	**38,272**	**143,103**	**98,632**	**85,623**	**6,638,878**	**5,440,263**
Liabilities								
Financial liabilities - held for trading	-	-	73,498	32,988	-	-	73,498	32,988
Derivatives	-	-	73,498	32,988	-	-	73,498	32,988
Total liabilities	**-**	**-**	**73,498**	**32,988**	**-**	**-**	**73,498**	**32,988**

43. Fair value of financial assets and liabilities *(continued)*

43.2 Financial instruments measured at fair value in the statement of financial position *(continued)*

Financial assets held for trading position has increased during 2019 mostly due to investment in government bonds which represent 91% from total position.

Non-trading financial assets at fair value through profit or loss position includes:

- loans and advances to customers classified at fair value through profit and loss according to IFRS 9 due to failure to pass the SPPI (solely payments of principal and interest) test. The methodology to compute the fair value of these assets corresponds to the basic present value technique where expected cash flows of assets are discounted by the full rate including credit risk, market risk and cost components. The credit risk is incorporated in the assessment of cash flows in order to come to expected cash flows accounting for customer's probability of default. These cash flows are then adjusted with the discount rate.
- equity instruments, in principal minority interests classified as level 3 instruments for which the fair value is determined based on internal assessment. The most common valuation methods used in the evaluation of minority interest are: Quoted price in active markets, Expert opinion or Recent transaction value, Discounted Cash Flow Method / Dividend Discount Model, the adjusted Net Asset Value, Simplified income approach.
- Visa INC Preferred Share equity for which fair value is computed based on internal assessment.

Financial assets at fair value through other comprehensive income include:

- Debt securities issued by Ministry of Finance which are actively traded classified on level 1 and 2.
- One corporative bond which is theoretically priced are presented on level 3.

43.3 Valuation of level 3 financial instruments

The volume of level 3 financial assets can be allocated to the following two categories:

- market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.

The unobservable inputs from CVA calculation are the probability of default (PD) and loss given default (LGD). The probabilities of default are the result of the rating models development internally (at Erste Group level) and are used to evaluate the credit risk including CVA. According to the allocated rating, each counterparty has assigned a probability of default. The value of LGD parameter for the calculation of CVA is 60%.

As at December 2019, the fair valuation of VISA Inc preferred shares was based on reasonable assumptions and estimations and was consequently classified in level 3. The sale of shares is limited to certain conditions which may restrict the conversion of preferred shares into tradable VISA Inc shares. Due to these limiting conditions, and in order to reflect the potential price volatility of Class A common shares and the limited liquidity of preferred shares the fair value of the preferred shares was capped based on assumptions compared to free tradable VISA Inc. class A common shares. The price of class C preferred shares was determined based on the conversion ratio of 1:13,952 and two additional haircuts were applied of 12.65% to account for market price uncertainty related to the illiquidity of Class C shares and a haircut of 17.5% accounting for conversion factor risk.

43. Fair value of financial assets and liabilities *(continued)*

43.4 Movements in Level 3 of financial instruments carried at fair value

Group

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Sales	Reclassifications	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2019**								**31.12.2019**
Financial assets - held for trading	**2,132**	**(304)**	**-**	**-**	**-**	**-**	**-**	**-**	**1,828**
Derivatives	2,132	(304)	-	-	-	-	-	-	1,828
Non-trading financial assets at fair value through profit or loss	**36,995**	**15,043**	**-**	**-**	**(2,112)**	**40,721**	**(2)**	**278**	**90,923**
Equity instruments	31,075	6,357	-	-	-	-	(2)	9	37,439
Debt securities	-	9,201	-	-	-	40,721	-	-	49,922
Loans and advances	5,920	(515)	-	-	(2,112)	-	-	269	3,562
Financial assets at fair value through other comprehensive income	**46,738**	**-**	**(92)**	**208**	**-**	**(40,721)**	**-**	**-**	**6,133**
Equity instruments	40,721	-	-	-	-	(40,721)	-	-	-
Debt securities	6,017	-	(92)	208	-	-	-	-	6,133
Total assets	**85,865**	**14,739**	**(92)**	**208**	**(2,112)**	**-**	**(2)**	**278**	**98,884**

Group

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Sales	Reclassifications	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2018**								**31.12.2018**
Financial assets - held for trading	**2,875**	**(743)**	**-**	**-**	**-**	**-**	**-**	**-**	**2,132**
Derivatives	2,875	(743)	-	-	-	-	-	-	2,132
Non-trading financial assets at fair value through profit or loss	**39,118**	**5,928**	**-**	**-**	**(8,062)**	**-**	**-**	**11**	**36,995**
Equity instruments	18,509	12,555	-	-	-	-	-	11	31,075
Loans and advances	20,609	(6,627)	-	-	(8,062)	-	-	-	5,920
Financial assets at fair value through other comprehensive income	**33,846**	**-**	**7,887**	**5,005**	**-**	**-**	**-**	**-**	**46,738**
Equity instruments	33,846	-	6,875	-	-	-	-	-	40,721
Debt securities	-	-	1,012	5,005	-	-	-	-	6,017
Total assets	**75,839**	**5,185**	**7,887**	**5,005**	**(8,062)**	**-**	**-**	**11**	**85,865**

Bank

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Sales	Reclassifications	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2019**								**31.12.2019**
Financial assets - held for trading	**2,133**	**(305)**	**-**	**-**	**-**	**-**	**-**	**-**	**1,828**
Derivatives	2,133	(305)	-	-	-	-	-	-	1,828
Non-trading financial assets at fair value through profit or loss	**36,752**	**15,043**	**-**	**-**	**(2,112)**	**40,721**	**(2)**	**269**	**90,671**
Equity instruments	30,832	6,357	-	-	-	-	(2)	-	37,187
Debt securities	-	9,201	-	-	-	40,721	-	-	49,922
Loans and advances	5,920	(515)	-	-	(2,112)	-	-	269	3,562
Financial assets at fair value through other comprehensive income	**46,738**	**-**	**(92)**	**208**	**-**	**(40,721)**	**-**	**-**	**6,133**
Equity instruments	40,721	-	-	-	-	(40,721)	-	-	-
Debt securities	6,017	-	(92)	208	-	-	-	-	6,133
Total assets	**85,623**	**14,738**	**(92)**	**208**	**(2,112)**	**-**	**(2)**	**269**	**98,632**

Bank

in RON thousands	Balance	Gain/(loss) in profit or loss	Gain/(loss) in other comprehensive income	Purchases	Sales	Reclassifications	Transfers out of Level 3	Exchange rate differences	Balance
Assets	**01.01.2018**								**31.12.2018**
Financial assets - held for trading	**2,875**	**(742)**	**-**	**-**	**-**	**-**	**-**	**-**	**2,133**
Derivatives	2,875	(742)	-	-	-	-	-	-	2,133
Non-trading financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Non-trading financial assets at fair value through profit or loss	**38,885**	**5,929**	**-**	**-**	**(8,062)**	**-**	**-**	**-**	**36,752**
Equity instruments	18,276	12,556	-	-	-	-	-	-	30,832
Loans and advances	20,609	(6,627)	-	-	(8,062)	-	-	-	5,920
Financial assets at fair value through other comprehensive income	**33,846**	**-**	**7,887**	**5,005**	**-**	**-**	**-**	**-**	**46,738**
Equity instruments	33,846	-	6,875	-	-	-	-	-	40,721
Debt securities	-	-	1,012	5,005	-	-	-	-	6,017
Total assets	**75,606**	**5,187**	**7,887**	**5,005**	**(8,062)**	**-**	**-**	**-**	**85,623**

44. Fair values of non-financial assets

The following table shows fair values and fair value hierarchy of non-financial instruments at the year-end 2019 and 2018:

				2019	Group
in RON thousands	**Carrying amount**	**Fair value**	**Quoted market prices in active markets Level 1**	**Marked to model based on observable market data Level 2**	**Marked to model based on non-observable inputs Level 3**
Assets whose Fair Value is disclosed in the notes					
Investment property	161,181	200,649	-	-	200,649
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	646,396	732,388	-	-	732,388

				2018	Group
in RON thousands	**Carrying amount**	**Fair value**	**Quoted market prices in active markets Level 1**	**Marked to model based on observable market data Level 2**	**Marked to model based on non-observable inputs Level 3**
Assets whose Fair Value is disclosed in the notes					
Investment property	162,806	199,167	-	-	199,167
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	161,114	210,948	-	-	210,948

				2019	Bank
in RON thousands	**Carrying amount**	**Fair value**	**Quoted market prices in active markets Level 1**	**Marked to model based on observable market data Level 2**	**Marked to model based on non-observable inputs Level 3**
Assets whose Fair Value is disclosed in the notes					
Investment property	161,181	200,649	-	-	200,649
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	210,704	296,696	-	-	296,696

				2018	Bank
in RON thousands	**Carrying amount**	**Fair value**	**Quoted market prices in active markets Level 1**	**Marked to model based on observable market data Level 2**	**Marked to model based on non-observable inputs Level 3**
Assets whose Fair Value is disclosed in the notes					
Investment property	162,806	199,167	-	-	199,167
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	117,699	167,533	-	-	167,533

Investment property is measured at fair value on recurring basis. Assets held for sale are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell.

The fair values of non-financial assets are determined by experts with recognized and relevant professional qualification.

44. Fair value of non-financial assets *(continued)*

in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
					2019	Group
Investment property	200,649	Market value	Discounted cash flow	Comparable market data	10%	20,065
Assets held for sale (IFRS 5)	732,388	Market value	Discounted cash flow	Comparable market data	10%	73,239
Total recurring fair value measurements at Level 3	**933,037**					**93,304**

in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
					2018	Group
Investment property	199,167	Market value	Discounted cash flow	Comparable market data	10%	19,917
Assets held for sale (IFRS 5)	210,948	Market value	Discounted cash flow	Comparable market data	10%	21,095
Total recurring fair value measurements at Level 3	**410,115**					**41,012**

in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
					2019	Bank
Investment property	200,649	Market value	Discounted cash flow	Comparable market data	10%	20,065
Assets held for sale (IFRS 5)	296,696	Market value	Discounted cash flow	Comparable market data	10%	29,670
Total recurring fair value measurements at Level 3	**497,345**					**49,735**

in RON thousands	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
					2018	Bank
Investment property	199,167	Market value	Discounted cash flow	Comparable market data	10%	19,917
Assets held for sale (IFRS 5)	167,533	Market value	Discounted cash flow	Comparable market data	10%	16,753
Total recurring fair value measurements at Level 3	**366,700**					**36,670**

For non-financial assets owned by Group, the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

45. Audit fees and tax consultancy fees

The following table contains audit fees and other consulting fees charged by the auditors in the financial years 2019 and 2018:

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Fees for the audit of the financial statements	1,853	2,351	1,362	2,006
Other services involving the issuance of a report	1,739	1,434	1,486	1,227
Total	**3,592**	**3,785**	**2,848**	**3,233**

46. Contingent liabilities and commitments

Contingent liabilities and commitments are presented in Note 42.5 Credit risk

Undrawn loan commitments

Undrawn loan commitments represent contractual commitments to grant loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

At the same time, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent until the customers maintain specific standards. The Group monitors the maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

In the case of irrevocable commitments, the Bank undertakes to make available to the client, at any time during the contract period, the amount mentioned in the contract.

Legal claims

As at 31 December 2019, the Bank was involved in the normal course of its business in a number of 3,204 other litigation as defendant (31 December 2018: 3,720).

In the opinion of management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amount provided at 31 December 2019.

The audit mission of the Romanian Court of Accounts – BCR Banca pentru Locuinte SA (BpL)

In 2015, the Romanian Court of Accounts (hereinafter referred to as 'the CoA') conducted a control at the BpL. Following the mission, the CoA claims that several deficiencies were identified, the vast majority grounded on a different interpretation of the applicable legal provisions.

On 15 December 2015, the CoA issued the Decision no. 17, maintaining all the claims included in their initial report and requested BpL to establish exactly the amount of the prejudice. On December 23, 2015, BpL appealed the Decision no. 17 of the CoA, appeal that was rejected by the Commission for Solving Claims of the CoA through Decision No 2/29 February 2016, maintaining as such the Decision no. 17/2015.

Court of Appeal pronounced its resolution on March 1st 2017 and decided in favour of BCR BpL for 5 out of 8 claims. Both BpL and CoA filed second appeal against this decision and, on June 21, 2019 High Court of Cassation and Justice (HCCJ) decided as follows:

- Both second appeals were admitted and the decision of the first court was annulled; as a consequence, the HCCJ re-judged the request of BpL and annulled only two measures, maintaining 6 of them.
- The maintained measures relate to the incorrect calculation of State premium by BpL.

BpL received on 18th of July 2019, the motivation of the High Court of Justice decision.

As a consequence, BpL is in process for establishing all the amounts that should be returned to the State, in accordance with the Court of Justice final decision (consisting of state premiums, interest and penalties). The most probable future outflow of resources was estimated and booked as a provision as of 31.12.2019, in accordance with IAS 37 requirements. Moreover, consideration was given as to whether other payment obligations could arise in connection with this fact, including possible withholding tax on the amounts already released to the clients as state premiums.

The following legal actions are started by BpL following HCCJ Decision of 21.06.2019:

- In Romania:
  - Revision (extraordinary appeal): with first hearing on the merits on 26.02.2020 by the High Court of Cassation and Justice in Romania; postponed until 08.04.2020;
  - Contesting for Annulment (extraordinary appeal): Court hearing established for 25.03.2020 by the High Court of Cassation and Justice in Romania.
- At European level: BpL raised the case to the European Court for Human Rights by submitting the relevant documents for the case on 17.01.2020.

Regarding the CoA Decision implementation, BpL has requested the extension of the deadline. CoA has issued the Decision No. 17/2/2015/28.11.2019 through which has extended the deadline for implementing the measures until March 31st, 2020.

The financial impact is described in Note 33 – Provisions, Note 14 – Taxes on Income and Note 13 – Other operating result.

46. Contingent liabilities and commitments *(continued)*

Non-performing loan portfolio sale

In 2016 and 2017, the Group sold a part of non-performing loan portfolio in several transactions. Please refer to Note 41 Transfers of Financial Assets for further details.

BFP Litigation

On 23 December 2016, the BFP has received a request made by City Hall Bucharest to International Court of Arbitration of the International Chamber of Commerce, consisting of amounts due under the joint venture contract for the period from 2001 to 2013.

In November 2019, The International Court of Arbitration rejected the request of City Hall. Against this decision, the claimant filed an action for annulment which will be solved before the Appeal Court from Bucharest.

Up to the date of publishing these financial statements, there were no other significant updates related to the cases presented in the financial statements for the year ended - December 2019.

Tax related litigation

Transfer Pricing and related withholding tax (WHT)

During the period May 3rd 2016 – July 9th 2017, BCR was subject to a tax audit regarding Corporate Income Tax (CIT) and VAT for the period January 1st 2012 – December 31st 2015. The main aspect verified by the Romanian Tax authorities were the intragroup transactions performed by BCR with its related parties during the analyzed period, having as main focus the financial transactions.

Based on the fiscal audit performed, the Romanian tax authorities adjusted the taxable base of CIT with RON 641,136,577, establishing an additional CIT of RON 102,581,852 as at 30th of June 2017, for the entire audited period 2012 – 2015. The additional CIT due was added to the existing amounts as at 30th of June 2017 and paid by the Bank.

During the period April 10th 2019 – April 22nd 2019, BCR was subject to a partial tax audit in respect of withholding tax (WHT) due for incomes obtained by nonresidents in Romania, for the period January 1st 2014 – December 31st 2015.

On May 15th 2019, BCR received the Tax Audit report and the Fiscal decision, issued based on the Tax audit performed. Thus, the Romanian tax authorities established an additional WHT due in respect of RON 43,070,398, representing WHT on incomes obtained by non-residents in Romania, in relation to interest revenues of RON 226,119,588 paid by BCR to Erste considered by the Romanian tax authorities as being over the market prices and subject to transfer pricing adjustments made by the Romanian tax authorities during the tax audit closed in 2017.

Folowing the Tax decision received in respect of additional WHT of RON 43,070,398, the Bank received also a Tax decision for additional late payment interests and penalties in amount of RON 23,903,244. The Bank has paid all the amounts within the legal deadline imposed by the Tax authorities and it follows to challenge in Court the tax decisions within the established legal deadlines.

Regarding the part of the Romanian tax authorities' findings in the tax audit report closed in 2017 related to the transfer prices used in financial transactions performed by BCR and Erste, BCR initiated the MAP procedure within the EUAC, considering that the adjustment of the transfer prices set by Romanian tax authorities for 2012 – 2015 has generated double taxation in Austria and Romania. The other findings of the tax audit report closed in 2017, have been challenged by the Bank in local court.

Considering the Romanian tax authorities decisions to adjust the taxable base of CIT and WHT, respectively to impose an additional CIT for the period 2012 – 2015 and WHT for the period 2014 - 2015, the Bank has analyzed the necessity of booking a provision for a potential obligation regarding additional CIT and WHT for the period 2016 – 2019.

According to IAS 37 "Provisions, contingent assets and liabilities", a provision is recognized if the following conditions are meet:

- The Bank has a current obligation resulting from past events;
- It is probable that an outflow of economic resources to be necessary in order to close the obligation;
- The value of the obligation can be reliably estimated.

According to the external consultants and lawyers' opinion and based on the available information and analysis, the Bank's Management appreciates that there are more likely than not chances for a favorable solution against the Romanian tax authorities.

Considering the results of the analysis performed by the Management of the Bank as mentioned above based on which it is not probable that an outflow of economic resources will occur in the future and based on the provisions of IAS 37 "Provisions, contingent assets and liabilities", it was concluded that as of December 31th 2019, the IAS 37 conditions for booking a provision in relation with fiscal treatment of the intragroup transactions applied by the Bank during 2016 – 2019, are not met. Therefore, no related provision has been recognized.

46. Contingent liabilities and commitments *(continued)*

Impairment of subsidiaries

In 2017, during the tax audit performed by the tax authorities, the Management of the Bank requested deductibility in relation to the expenses generated by depreciation of shares in subsidiaries booked for the period 2012 – 2015, considering the provisions of the Fiscal Code applicable for these periods. Despite all the arguments put forward by the Bank, the tax authorities considered that the expenses incurred by the Bank during the audited period related to impairment of its subsidiaries are not deductible.

In 2017, the Bank challenged in the Court of law the Romanian Tax Authority resolution on this topic, legal proceedings being ongoing at the end of 2019.

According to the external consultants and lawyers' opinion and based on the available information and analysis, the Bank's Management appreciates that there are more likely than not chances for a favorable solution against the Romanian tax authorities.

Based on specialists opinion mentioned above and IAS 12- Income Taxes provisions, the Bank recognized in 2017 an asset of the nature of the profit tax, in relation to the expenses with the depreciation of shares in subsidiaries booked for the period 2012 – 2015.
The afore mentioned asset was subject to independent successive evaluations in the period that followed and although, currently, there is still considerable uncertainty as to the timing of the final resolution in the Court, the likelihood of a favourable outcome for the Bank did not change and, therefore, it was maintained for the year end 2019.

47. Split between current and non-current assets and liabilities

Expected remaining maturities of assets and liabilities

Group

	31.12.2019		31.12.2018	
in RON thousands	**Current**	**Non - current**	**Current**	**Non - current**
Cash and cash balances	9,006,518	-	11,123,191	-
Financial assets held for trading	429,356	-	195,238	18,727
Derivatives	40,100	-	12,335	18,727
Other financial assets held for trading	389,256	-	182,903	-
Non-trading financial assets mandatorily at fair value through profit or loss	1,508	92,364	2,210	37,185
Financial assets at fair value through other comprehensive income	1,803,797	4,314,047	839,903	4,382,178
Financial assets at amortised cost	12,078,674	42,820,407	10,017,806	40,825,413
Debt securities	1,900,635	13,834,553	1,057,079	14,822,029
Loans and advances to banks	603,444	57,993	123,840	-
Loans and advances to customers	9,574,595	28,927,861	8,836,887	26,003,384
Finance lease receivables	408,629	709,304	349,821	641,047
Property and equipment	-	937,267	-	1,169,260
Investment property	-	161,181	-	162,806
Intangible assets	-	359,085	-	361,898
Investments in joint ventures and associates	-	24,553	-	20,027
Current tax assets	238,752	-	181,800	-
Deferred tax assets	-	183,857	-	202,165
Assets held for sale	646,396	-	161,114	-
Trade and other receivables	423,641	1,419	558,564	4,450
Other assets	197,168	100,436	219,628	55,874
Total assets	**25,234,439**	**49,703,920**	**23,649,275**	**47,881,030**
Financial liabilities held for trading	73,498	-	5,474	27,514
Derivatives	73,498	-	5,474	27,514
Financial liabilities measured at amortised cost	58,680,645	4,998,010	54,499,675	7,119,133
Deposits from banks	1,946,040	2,493,120	1,821,636	3,756,444
Deposits from customers	55,906,766	1,885,014	51,920,729	3,178,230
Debt securities issued	170,369	614,033	169,202	179,951
Other financial liabilities	657,470	5,843	588,108	4,508
Finance lease liabilities	44,608	282,442	-	-
Provisions	721,972	1,057,639	1,976	1,149,712
Current tax liabilities	2,882	-	97,782	-
Deferred tax liabilities	-	8,303	-	-
Liabilities associated with assets held for sale	29,506	214,687	15,438	-
Other liabilities	352,457	-	240,629	6,258
Total Liabilities	**59,905,568**	**6,561,081**	**54,860,974**	**8,302,617**

The amounts over one year related to those derivatives classified in the category ‘held for trading’ which are hedging instruments from an economic but not from accounting point of view.

47. Split between current and non-current assets and liabilities *(continued)*

Expected remaining maturities of assets and liabilities

				Bank
	31.12.2019		31.12.2018	
in RON thousands	**Current**	**Non - current**	**Current**	**Non - current**
Cash and cash balances	8,724,971	-	10,862,852	-
Financial assets held for trading	429,356	-	195,238	18,854
Derivatives	40,100	-	12,335	18,854
Other financial assets held for trading	389,256	-	182,903	-
Non-trading financial assets mandatorily at fair value through profit or loss	1,508	92,112	1,966	37,186
Financial assets at fair value through other comprehensive income	1,801,856	4,314,046	804,841	4,382,178
Finance lease receivables	431	2,968	-	-
Financial assets at amortised cost	11,761,524	41,257,789	9,602,081	39,130,487
Debt securities	1,316,427	13,106,361	687,374	13,610,531
Loans and advances to banks	603,093	57,993	388,848	-
Loans and advances to customers	9,842,004	28,093,435	8,525,859	25,519,956
Property and equipment	-	837,505	-	760,646
Investment property	-	161,181	-	162,806
Intangible assets	-	348,582	-	354,020
Investments in joint ventures and associates	-	17,035	-	7,509
Current tax assets	235,928	-	178,822	-
Deferred tax assets	-	172,780	-	197,061
Assets held for sale	198,804	11,900	117,699	-
Trade and other receivables	408,778	-	541,868	1,311
Investments in subsidiaries		488,077	-	403,152
Other assets	173,821	-	148,677	-
Total assets	**23,736,977**	**47,703,975**	**22,454,044**	**45,455,210**
Financial liabilities held for trading	73,498	-	5,474	27,514
Derivatives	73,498	-	5,474	27,514
Financial liabilities measured at amortised cost	57,805,352	3,590,606	53,684,792	4,642,192
Deposits from banks	2,656,018	1,518,165	2,240,403	2,550,801
Deposits from customers	54,322,859	1,452,565	50,686,758	1,906,932
Debt securities issued	170,369	614,033	169,202	179,951
Other financial liabilities	656,106	5,843	588,429	4,508
Finance lease liabilities	52,469	271,252	-	-
Provisions	-	1,049,481	-	1,120,255
Current tax liabilities	-	-	97,110	-
Other liabilities	293,240	-	193,842	-
Total Liabilities	**58,224,559**	**4,911,339**	**53,981,218**	**5,789,961**

The amounts over one year related to those derivatives classified in the category 'held for trading' which are hedging instruments from an economic but not from accounting point of view.

48. Own funds and capital requirements

Own funds disclosure

Regulatory Requirements

Since 1 January 2014, Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements have been implemented within the EU by the CRR and the CRD IV as well as within various technical standards issued by European Bank Authority, which were enacted in national law in the National Bank of Romania, Regulation No 5/2013.

All requirements as defined in the CRR, the NBR and the aforementioned technical standards are fully applied by the Group and the Bank.

	Group		Bank	
in RON thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Tier 1 Capital	7,499,964	7,474,163	7,286,171	7,258,499
Tier 2 Capital	438,617	633,126	438,617	633,126
Total own funds	**7,938,581**	**8,107,289**	**7,724,788**	**7,891,625**
Risk Weighted Exposure Amounts For Credit, Counterparty Credit And Dilution Risks And Free Deliveries	32,564,372	29,047,711	30,452,858	27,333,047
Total Risk Exposure Amount for Position, Foreign Exchange and Commodities Risks	233,924	258,730	139,129	42,094
Total Risk Exposure Amount for Operational Risk	7,674,054	7,753,036	7,321,230	7,356,092
Total Risk Exposure Amount for Credit Valuation Adjustment	16,699	15,815	16,699	15,815
Total Risk Exposure Amount	**40,489,049**	**37,075,292**	**37,929,916**	**34,747,048**
Capital Ratios				
Total capital ratio	19.61%	21.87%	20.37%	22.71%
T1 Capital ratio	18.52%	20.16%	19.21%	20.89%

Note: The profit of the year 2019 is not included in Total own funds. Comparing with financial statements 2018, the remaining part of the audited profit after dividends distribution was included in own funds as per approval of General Shareholders Meeting.

During 2019, the Group and also the Bank were fully compliant with the limits imposed by the above regulations.

49. Country by country reporting

			Group	31.12.2019
Country	**Operating income**	**Pre-tax result from continuing operations**	**Taxes on income**	**Taxes paid**
Romania	3,463,656	888,800	(302,048)	(380,964)
Moldova	26,762	6,961	(447)	(344)
Total	**3,490,418**	**895,761**	**(302,495)**	**(381,308)**

			Bank	31.12.2018
Country	**Operating income**	**Pre-tax result from continuing operations**	**Taxes on income**	**Taxes paid**
Romania	3,263,782	1,424,463	(225,649)	(254,412)
Moldova	21,788	4,019	(570)	-
Total	**3,285,570**	**1,428,482**	**(226,219)**	**(254,412)**

50. Events after the balance sheet date

Late in 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organization. In the first few months of 2020, the virus had spread globally and its negative impact has gained momentum. Management considers that this outbreak to be a non-adjusting post balance sheet event. While this is still an evolving situation at the time of issuing these financial statements, to date there has been no discernible impact on the Group's operations, however the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

AUTHORISED PERSON, First name and name Signature	AUTHORISED PERSON, First name and name Signature
Executive Vice-President, Elke Meier	Executive Director Accounting Division, Gina Badea

BANCA COMERCIALĂ ROMÂNĂ BCR Cabinet Vice Președinte Financiar

Banca Comercială Română S. A.
No. CEO Office: 5 / 20.03.20209
Supervisory Board

Banca Comercială Română S.A.
Administrators' Report Consolidated and Separate (The Group and the Parent Bank)

31 December 2019

Administrators' report
Consolidated and Separate for the year ended 31 December 2019

Contents of the Administrators' report

1. Macroeconomic developments 1
2. General presentation 2
3. 2019 financial and commercial highlights 3
4. Outlook for BCR's activity in 2020 4
4.1. 2020 expected macroeconomic development 4
4.2. Balance Sheet developments 5
4.3. Statement of profit or loss 5
5. Statement of financial position of the Group and of the BCR 5
5.1. Statement of compliance 5
5.2. Assets 5
5.3. Statement of financial position – liabilities and equity 6
6. Statement of profit or loss of the Group and of the BCR 7
7. Equity accounts and profit distribution 7
7.1. Equity accounts as at 31 December 2019 7
7.2. Profit distribution 8
7.3. Own funds elements 8
8. Subsidiaries business performance overview and predictions 8
8.1. BCR Chisinau SA 8
8.2. BCR Leasing IFN SA 9
8.3. BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private ("SAFPP") SA 9
8.4. BCR Banca pentru Locuinte SA 10
8.5. Suport Colect SRL 11
8.6. CIT One SRL 11
8.7. BCR Fleet Management SRL 12
8.8. BCR Payments Services SRL 12
9. The Bank's and Group risk profile 12
9.1. Overview 12
9.2. Proportionality Principles 13
9.3. Risk Profile 13
9.4. Individual risk profiles for the key risk types 13
9.4.1. Credit Risk 13
9.4.2. Concentration risk 14
9.4.3. Residual risk 14
9.4.4. FX induced credit risk 14
9.4.5. Market Risk 14
9.4.6. Liquidity & Funding Risk 15
9.4.7. Operational Risk 16
9.4.8. Reputational Risk 16
10. Risk management 16
10.1. ICAAP framework 16
10.1.1 Risk profile 17
10.1.2 Risk appetite (RAS) 17
10.1.3 Risk bearing capacity (RCC) 17
10.1.4 Stress testing 17
10.1.5 Risk Planning and Forecasting 17
10.1.6 Recovery and Resolution Plan 17
10.2. Monitoring of the BCR Group Risk Profile 17
10.2.1 Strategic oversight 18
10.2.2 Operational oversight 18
11. Statement regarding corporate governance 18
11.1. Corporate governance framework 18
11.2. General and Extraordinary Meeting of Shareholders 19
11.3. The Supervisory Board (SB) 19
11.3.1. Audit Committee 20
11.3.2. Risk and Compliance Committee 21
11.3.3. Remuneration Committee 21
11.3.4. Nomination Committee 21
11.4. Management Board (MB) 21
11.4.1. Asset and Liabilities Committee (ALCO) 22
11.4.2. Credit Committee 22
11.4.3. Risk Committee of Management Board 23
11.5. Organization of the internal control system's function 23
12. Social responsibility, diversity & development activities 23
12.1. Corporate Social Responsibility 24
12.2. BCR policy regarding the environment 25
12.3. Diversity and professional development 25
12.4. Improvement and professional development 25
12.5. Performance Management and Professional Development 26
12.6. Flexible benefits 26
12.7. Flexible benefits using Benefit Online platform 26
12.8. Remuneration Policy 26
12.9. Recruitment Policy 27
12.10. Organizational Climate – people surveys 27

1. Macroeconomic developments

Economic growth was 4.1% in 2019, a slowdown compared to the previous year, when expansion was close to 4.4%. Domestic demand remained the key driver of economic activity, although it showed signs of moderation. Household consumption lost some speed to +5.5% y/y (2018: +7.4% y/y), whereas gross fixed capital formation strengthened significantly to +16% y/y in the first three quarters vs. the -1.2% y/y seen in 2018, with part of this development being explained by the acceleration of construction works. Net exports held back the economic advance due to diminishing support from external demand amid slower Eurozone growth and global trade tensions. The supply side of economic growth showed that construction, trade and services were the main contributors to real GDP growth in 1Q19-3Q19. Industry, on the other hand, acted as a drag, in line with the very weak monthly industrial production prints. The performance of agriculture was also disappointing, with the sector shrinking by -1.2% y/y in real terms, following two straight bumper agricultural seasons.

The inflation rate hovered above the upper limit of the NBR's targeted band of 3.5% for most of 2019, with a peak of 4.1% y/y in April and May, driven by more expensive vegetables and staple food items (meat, bakeries and dairies). External developments also played a key role here, mirrored in the sharp increase in pork meat prices and strong pressure on potato prices. After declining temporarily below 3.5% in autumn, due to a favourable statistical effect, headline inflation resumed its upward trend and ended last year outside the target, at 4% y/y. Upside pressure was also visible on core inflation, which increased to 3.7% at the end of 2019, following a steady upward trend from 2.4% in December 2018.

Caught between persistent inflationary pressures on local level and the loose monetary policy stance of the ECB and other CEE central banks, the NBR kept the policy rate flat at 2.5% throughout 2019, while continuing to pursue the strict control over money market liquidity under the new liquidity regime announced by the Central Bank in April 2019.

Money market rates inched higher in 2019 and the 3M ROBOR ended the year at 3.18%, from 2.99% in early-January. Bond yields showed rather mixed moves throughout 2019, with a visible increase being seen at the short end of the curve, which was mostly influenced by the NBR's monetary policy (+26bps, on average) and a decline for medium- and long-term maturities influenced by global conditions (-17bps, on average). Long-term yields, however, moved temporally higher in November, with bouts of sell-offs triggered by increased investor awareness of the worsened state of public finances. Helped by the NBR, the Romanian leu was unusually stable throughout 2019, trading inside a corridor with a maximum width of 1.7%, well below the volatility of its CEE peers.

The current account deficit reached EUR 10.7bn in November (annualized figure), much higher compared to EUR 8.7bn seen over the same period a year ago. Romania thus has one of the highest current account shortfalls in the EU, at 4.9% of GDP, which amplifies Romania's vulnerability to a potential external shock.

The budget deficit was RON 48.3bn (4.6% of estimated GDP) on cash standards in 2019. Monthly budget gap was large in December alone (RON 11.3bn). Full-year growth in total expenditures outpaced the increase in budget revenues (+14.7% vs. +8.8%). Personnel expenditures rose strongly (+18.8% y/y) due to pay hikes enforced according to unitary salary law, while the increase in pensions (+15% in September) added more pressure on the state budget.

The Social-Democrat government saw its political support withdrawn by Parliament in October. A new Liberal Executive took office afterwards. The government headed by the Liberal leader Orban won the confidence vote in the Parliament with the support of 240 MPs, above the threshold of 233 votes needed. Besides this, the presidential elections took place in November, with incumbent President Klaus Iohannis winning the second round with 66% of the votes.

In December 2019, S&P lowered Romania's rating outlook to negative from stable, due to the mounting twin deficits issue (wide fiscal and current account shortfalls). The sovereign rating was kept unchanged at 'BBB-'.

Important events since end of 2019

The NBR kept key policy rate unchanged at 2.50% at the first monetary policy meeting of this year. The external environment continues to play a great role in the decisions taken by the central bank.

The Romanian Parliament began an extraordinary session on changing the law for electing mayors, reverting to a two-round voting process from one now. The procedure exposes the government to a potential no-confidence vote. At the same time, the Parliament approved the elimination of certain categories of special pensions.

2. General presentation

Banca Comercială Română ("BCR" or "Bank") was established in 1990, when it took over the commercial operations of the National Bank of Romania. Today, BCR Group (member of Erste Group) is the most important financial group in Romania, including universal banking operations (retail, corporate & investment banking, treasury and capital markets) as well as leasing companies, private pension and housing banks.

The Bank offers a complete range of financial services and financial solutions dedicated to each stage of the financial cycle in a lifetime, as a "one-stop shop": savings, investment, lending, consulting and advisory, leasing. BCR encourages long-term relationships with its clients belonging to all segments, offers affordable and transparent products, but also personalized consulting services.

Products & Services

BCR serves the following groups of clients:

Private Individuals: BCR supports its customers to fulfil their aspirations, insuring their current and future financial well-being. BCR offers a full range of services and products, from real estate financing (mortgages), personal loans, personal accounts (including packages for entrepreneurs, students, NGOs and Foundations), debit and credit cards, investment and savings products, consultancy and sale of treasury products and financial market to private individual customers. BCR offers full Internet banking, Mobile Banking, Phone banking and E-commerce services.

Small and Medium Enterprises as well as large companies: As a leader in many banking areas, BCR plays a key role on the commercial companies segment by offering customized products, specialized programs and advice to micro-enterprises, small and medium-sized businesses as well as for large commercial companies.

Municipal authorities, public and non-profit sector: Thanks to the long and solid relationship with municipal authorities, as well as with the public and non for profit sector, BCR became the first choice for dedicated financial solutions (including special funding for infrastructure projects at national, regional and municipal level).

Network

BCR provides a full range of financial products and services, through a network of 19 business centres and 17 mobile offices dedicated to companies and 430 retail units located in most cities across the country with over 10,000 inhabitants.

BCR is the no. 1 bank in Romania in the market of bank transactions, BCR customers having available the largest national network of ATM and multifunctional machines- almost 2,000, more than 14,500 POS and complete services of Internet banking, Mobile banking, Phone-banking and E-commerce.

Bank and subsidiaries

During 2019, Banca Comercială Română Group ("BCR Group" or "the Group") comprised the parent bank, Banca Comercială Română S.A. and its subsidiaries, presented in the following table:

	Company's name	Country of incorporation	Nature of the business	Shareholding		Gross Book Value	Net Book Value	Impaiment
				2019	2018			
1	BCR Chisinau SA	Moldova	Banking	100.00%	100.00%	200,064	46,438	153,626
2	BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,492	279,934	109,558
3	BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	159,805	110,015
4	BCR Banca pentru Locuinte SA	Romania	Banking	99.99%	99.99%	781,078	-	781,078
5	Suport Colect SRL	Romania	Workout	99.99%	99.99%	983,047	-	983,047
6	CIT One SRL	Romania	Cash processing and storing	100.00%	100.00%	13,308	11,900	1,408
7	BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%	1,900	1,900	-
8	BCR Fleet Management SRL *	Romania	Operational leasing	99.97%	99.97%	-	-	-

*Company held indirectly by BCR through BCR Leasing SA

The participation held in CIT One was maintained as asset held for sale and the participation in BCR Fleet Management was reclassified as asset held for sale starting with May 2019.

Investments in other companies, except subsidiaries and associates are in total amount of RON 40,136 thousands as are presented in the statement of financial position as Equity Instruments.

3. 2019 financial and commercial highlights

The BCR impact in the economy

In retail banking business, BCR generated total new loans in local currency to individuals and micro business of over RON 7.8 billion (EUR 1.7 billion) in 2019 driven by mortgage, cash loans and loans to micros. New loans to micros went up by 31.5% year-on-year, significant contribution of loans granted within Start-Up Nation. Unsecured lending sales up by 3.4% year-on-year due to cash loans and increase in credit cards and overdrafts.

In corporate banking business, BCR (bank only) approved in 2019 new corporate loans of RON 7.4 billion (EUR 1.6 billion). The stock of the financing for SME segment (including BCR Leasing subsidiary) increased by 12.3% year-on-year to RON 6.1 billion (EUR 1.3 billion) as of 31 December 2019, as a result of a high focus on new business and advance in leasing. Real Estate segment has registered a strong performance, up by 34.3% year-on-year, boosted by financing the new office and commercial projects.

The number of total customers has increased to 3.3 mn at the end of last year, as compared to 3.1 mn in 2018.

BCR has channelled all efforts towards building digital processes to the core. The intelligent banking platform George reached 720,000 users, with 84 new built-in functionalities in both mobile and web. The George universe has registered a 76% increase of sold digital products, as compared to 2018. BCR has launched George Credit, the first fully digital unsecured loan, with 3.800 cash loans granted online in just three months, and the first online credit refinancing facility.

BCR continued the strategic partnership with IKEA, through which the bank provided more than 26,200 credit cards in 2019.

The Money School reached a total of more than 370,000 adults and children in one-to-one interactions by BCR colleagues in the past three years.

The shared online platform Casa Mea App, that runs document workflow for proprietary mortgage, launched in 2019, has been already used for one in four new disbursed loans.

BCR Group performance in 2019

BCR Group registered a **net profit of RON 593.2 mn in 2019** (EUR 125 mn), lower by 50.7% against RON 1,202.3 mn (EUR 258.3 mn) in 2018, as impacted by the significant one-off provision allocation related to the activity of BCR Banca pentru Locuinte, despite the best operating result in the last five years underpinned by strong loan growth.

The **operating result** improved by 9.3% to RON 1,786.9 mn (EUR 376.5 mn) in 2019, from RON 1,635.4 mn (EUR 351.4 mn) in 2018, supported by better operating income along with strict cost control.

Net interest income increased significantly by 10.2%, to RON 2,256.3 mn (EUR 475.4 mn) in 2019, from RON 2,047.2 mn (EUR 439.9 mn) in 2018, on the back of a higher interest rate environment and higher customer loans and deposits, improvement of balance sheet structure towards higher share of interest bearing assets and lower funding cost as per early repayment of intragroup funding.

Net fee income advanced by 10.4%, to RON 780.6 mn (EUR 164.5 mn) in 2019, from RON 706.8 mn (EUR 151.9 mn) in 2018, mainly driven by higher result in maintenance fees for current accounts and insurance fees coupled with better result from cash activities.

Net trading result decreased by 21.1%, to RON 352.4 mn (EUR 74.3 mn) in 2019, from RON 446.8 mn (EUR 96.0 mn) in 2018.

The **operating income** increased by 6.2% to RON 3,490.4 mn (EUR 735.5 mn) in 2019 from RON 3,285.6 mn (EUR 706 mn) in 2018, driven by higher net interest income and fee income.

General administrative expenses in 2019 stood at RON 1,703.5 mn (EUR 359 mn), up by 3.2% as compared to RON 1,650.2 mn (EUR 354.6mn) in 2018, mainly driven by higher annual contribution to deposit insurance fund in 2019.

As such, **cost-income ratio** improved to 48.8% in 2019, versus 50.2% in 2018.

3. 2019 financial and commercial highlights (*continued*)

Risk costs and Asset Quality

In terms of **net impairment loss on non-fair value financial assets**, BCR recorded a provision release of RON 61.8 mn in 2019, versus a provision allocation of RON 121.2 mn in 2018. This result has been triggered by very low new NPL formation mostly in corporate correlated with a good trend of recoveries and healings in both retail and corporate segments.

The **NPL ratio** reached 4.1% in December 2019, the lowest level of the past decade, from 5.8% in December 2018. This evolution is reflecting the strong positive development in loans to customers and continuous improvement in portfolio quality based on sustained NPL resolution and good trend in recoveries and healings. At the same time, the NPL provisioning coverage reached 116.3% as of December 2019.

Capital position and funding

The solvency ratio, for Bank, according to the capital requirements regulations (CRR) was 20.4% as of December 2019, well above the regulatory requirements of the National Bank of Romania. Furthermore, Tier 1+2 capital ratio of 19.6% (BCR Group) as of December 2019 is clearly showing BCR's strong capital adequacy and continuing support of Erste Group. In this respect, BCR enjoys one of the strongest capital and funding positions amongst Romanian banks.

In December 2019, BCR launched the first senior non-preferred bond issue in Romania and the CEE region, worth RON 600 mn and listed on the Bucharest Stock Exchange. This shows BCR's commitment to further strengthen its statement of financial position and to diversify the funding sources and instruments as part of its long term development strategy.

Loans and advances to customers increased significantly by 10% to RON 40,049 mn (EUR 8,373.2 mn) as of 31 December 2019 from RON 36,400.1 mn (EUR 7,805.3 mn) as of 31 December 2018, supported by both corporate (+13.4% year-on-year) and retail (+8.7% year-on-year) segments.

Deposits from customers increased by 4.9% to RON 57,791.8 mn (EUR 12,082.8 mn) as of 31 December 2019 versus RON 55,099 mn (EUR 11,814.9 mn) as of 31 December 2018 supported by the increase in both retail and corporate deposits.

4. Outlook for BCR's activity in 2020

4.1. 2020 expected macroeconomic development

Economic growth is seen as moderating further in 2020, due to external headwinds and little chance of seeing fiscal policy as loose as in previous years, except for the implementation of the new pensions' law. Household consumption will remain the major driver, helped by solid increases in net wages and pensions. Investments should be supported by higher inflows of EU funds. Foreign demand could become, on the other hand, less supportive, amid slower growth in the Eurozone and external uncertainties coming from Brexit and global trade tensions. However, if the pension law implementation is delayed or diluted, GDP growth could be even lower.

In 2020, inflation could remain close to the upper limit of the NBR's targeted band of 2.5%±1pp, in the absence of strong supply-side shocks. Additional upside risks for 2020 could come from the likely adoption of a new calendar for the liberalization of natural gas and electricity prices. Uncertainties surrounding the budget deficit should also be closely monitored in the future, given the tense situation of local administration budgets and some municipalities, which so far appear to be keen to talk about prospective higher local taxes.

The external environment will play a greater role in the decisions taken by the NBR, given the ECB's current loose monetary policy stance. The central bank will also keep an eye on the decisions of other central banks in CEE to avoid a high interest rate differential between Romania and its regional peers that would fuel speculative capital flows into the local market. Our baseline scenario is that the central bank will keep the key rate at 2.5% next year. Labour market conditions are expected to remain fairly tight. The unemployment rate is likely to hover close to its all-time low level, but with chances of seeing a slight pick-up over the forecast horizon.

In 2020 there was some legislative initiatives regarding cancelling the banking tax and exempting the bank housing loans clients from reimbursing the State premium.

The Senate (as first chamber), rejected the GEO cancelling the bank tax from 2020 onwards and forwarded it for the final vote to the Deputies Chamber. Before receiving the final vote, the initiative should receive the feedback of the relevant parliamentary commissions.

The Liberal Cabinet intended to adopt a GEO for exempting those BpL clients (BCR's and Raiffeisen's) that do not comply with the HCCJ and Court of Accounts requirements from reimbursing the amounts paid as State premium. The GEO was not adopted due to the absence of feedback from the relevant stakeholders.

4. Outlook for BCR's activity in 2020 (*continued*)

4.2. Balance Sheet developments

Loan granting will be the main statement of financial position growth driver, BCR Group expecting a mid-single digit growth, maintaining the pace of 2019 and being supported by both Retail and Corporate segments.

Retail loans development in 2020 will feature double digit growth in cash loans coupled with strong increase in mortgages, with standard mortgage production being the main contributor. Corporate lending in 2020 is expected to grow at a mid-single digit rate, with increases in all segments.

On the liabilities side, both Retail and Corporate deposits will continue their strong growth in line with BCR strategy to capitalize on its customer deposit base and with focus on digitalization. In order to fulfil the upcoming minimum requirement for eligible liabilities ("MREL") a mix of eligible instruments has been planned for issuance in 2020. The final split between instruments will be defined after the official MREL limit is received from the Resolution Authority.

4.3. Statement of profit or loss

Net interest income will increase in 2020 driven by loan growth, while preserving net interest income margin level.

Net fee and commission income, the second key income component, is expected to decrease in 2020 in both Retail and Corporate affected by SEPA implementation and cash related fees reduction following transaction shift from branch to digital & equipment.

All in all, the **operating income** should grow by low single digit growth in 2020, with NII remaining the biggest contributor.

Operating expenses in 2020 are in line with our ambition to keep local costs flat except deposit insurance as a consequence of efficiency initiatives implemented during last two years allowing further investments in order to implementing our Strategy. Sound cost management and constant business growth will further support improvements in the cost-income ratio.

Risk cost development for 2020 driven by allocations of provisions for new defaults given the slowdown in the economic growth and methodological changes in the default recognition.

Based on the above-mentioned expected performance, BCR Group aims to deliver a net profit in 2020 close to its strategic target.

5. Statement of financial position of the Group and of the BCR

5.1. Statement of compliance

As of 31 December 2019, BCR prepared separate and consolidated financial statements in compliance with the Accounting Law no. 82/1991, with its subsequent amendments and supplements and with the National Bank of Romania Order no. 27/2010 for approval of Accounting Regulations compliant with International Financial Reporting Standards applicable to credit institutions.

Order no. 27/2010 of the National Bank of Romania further specifies that the separate and consolidated financial statements of credit institutions must be prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Consequently, the separate and consolidated financial statements of BCR Group for the year ended 31 December 2019 were prepared in accordance with IFRS, observing also the specific group accounting policies of Erste Group to which BCR Group belongs.

5.2. Assets

Total assets of BCR as at 31 December 2019 amounted to RON 71,440,952 thousands, increasing by 5.2% compared to 31 December 2018 (RON 67,909,254 thousands). At BCR Group level, the total assets increased by 4.8% from RON 71,530,305 thousands as at 31 December 2018 to RON 74,938,359 thousands as at 31 December 2019.

Evolution of total assets:

In RON thousands			Group	
2015	2016	2017	2018	2019
62,360,016	67,514,573	70,931,239	71,530,305	74,938,359
In RON thousands			**Bank**	
2015	**2016**	**2017**	**2018**	**2019**
59,460,913	64,068,225	67,734,485	67,909,254	71,440,952

5. Statement of financial position of the Group and of the BCR (*continued*)

Statement of financial position

	Group			Bank		
in RON thousands	**31.12.2019**	**31.12.2018**	**Variance %**	**31.12.2019**	**31.12.2018**	**Variance %**
Assets						
Cash and cash balances	9,006,518	11,123,191	-19.0%	8,724,971	10,862,852	-19.7%
Financial assets held for trading	429,356	213,965	100.7%	429,356	214,092	100.5%
Derivatives	40,100	31,062	29.1%	40,100	31,189	28.6%
Other financial assets held for trading	389,256	182,903	112.8%	389,256	182,903	112.8%
Non-trading financial assets mandatorily at fair value through profit or loss	93,872	39,395	138.3%	93,620	39,152	139.1%
Equity instruments	40,388	33,475	20.7%	40,136	33,232	20.8%
Debt securities	49,922	-	x	49,922	-	x
Loans and advances to customers	3,562	5,920	-39.8%	3,562	5,920	-39.8%
Financial assets at fair value through other comprehensive income	6,117,844	5,222,081	17.2%	6,115,902	5,187,019	17.9%
thereof pledged as collateral	56,341	-	x	56,341	41,748	35.0%
Equity investments	-	40,721	-100.0%	-	40,721	-100.0%
Debt securities	6,117,844	5,181,360	18.1%	6,115,902	5,146,298	18.8%
thereof pledged as collateral	56,341	-	x	56,341	41,748	35.0%
Financial assets at amortised cost	54,899,081	50,843,219	8.0%	53,019,313	48,732,568	8.8%
thereof pledged as collateral	739,503	690,952	7.0%	2,087,276	1,693,280	23.3%
Debt securities	15,735,188	15,879,108	-0.9%	14,422,788	14,297,905	0.9%
Loans and advances to banks	661,437	123,840	434.1%	661,086	388,848	70.0%
Loans and advances to customers	38,502,456	34,840,271	10.5%	37,935,439	34,045,815	11.4%
Finance lease receivables	1,117,933	990,868	12.8%	3,399	-	x
Property and equipment	937,267	1,169,260	-19.8%	837,505	760,646	10.1%
Investment property	161,181	162,806	-1.0%	161,181	162,806	-1.0%
Intangible assets	359,085	361,898	-0.8%	348,582	354,020	-1.5%
Investments in joint ventures and associates	24,553	20,027	22.6%	17,035	7,509	126.9%
Current tax assets	238,752	181,800	31.3%	235,928	178,822	31.9%
Deferred tax assets	183,857	202,165	-9.1%	172,780	197,061	-12.3%
Assets held for sale	646,396	161,114	301.2%	210,704	117,699	79.0%
Trade and other receivables	425,060	563,014	-24.5%	408,778	543,179	-24.7%
Investments in subsidiaries	-	-	x	488,077	403,152	21.1%
Other assets	297,604	275,502	8.0%	173,821	148,677	16.9%
Total assets	**74,938,359**	**71,530,305**	**4.8%**	**71,440,952**	**67,909,254**	**5.2%**

5.3. Statement of financial position – liabilities and equity

in RON thousands						
Liabilities and Equity	**31.12.2019**	**31.12.2018**	**Variance %**	**31.12.2019**	**31.12.2018**	**Variance %**
Financial liabilities held for trading	73,498	32,988	122.8%	73,498	32,988	122.8%
Derivatives	73,498	32,988	122.8%	73,498	32,988	122.8%
Financial liabilities measured at amortised cost	63,678,655	61,618,808	3.3%	61,395,958	58,326,984	5.3%
Deposits from banks	1,266,201	2,127,723	-40.5%	2,534,084	3,076,973	-17.6%
Borrowings and financing lines	2,105,646	2,408,375	-12.6%	572,786	672,249	-14.8%
Deposits from customers	57,791,780	55,098,959	4.9%	55,775,424	52,593,690	6.0%
Debt securities issued	784,402	349,153	124.7%	784,402	349,153	124.7%
Subordinated loans	1,067,313	1,041,982	2.4%	1,067,313	1,041,982	2.4%
Other financial liabilities	663,313	592,616	11.9%	661,949	592,937	11.6%
Finance lease liabilities	327,050	-	x	323,721	-	x
Provisions	1,779,611	1,151,688	54.5%	1,049,481	1,120,255	-6.3%
Current tax liabilities	2,882	97,782	-97.1%	-	97,110	-100.0%
Deferred tax liabilities	8,303	-	x	-	-	x
Liabilities associated with assets held for sale	244,193	15,438	1481.8%	-	-	x
Other liabilities	352,457	246,887	42.8%	293,240	193,842	51.3%
Total equity	**8,471,710**	**8,366,714**	**1.3%**	**8,305,054**	**8,138,075**	**2.1%**
Share capital	2,952,565	2,952,565	0.0%	2,952,565	2,952,565	0.0%
Retained earnings	3,882,594	3,766,482	3.1%	3,706,526	3,525,615	5.1%
Other reserves	1,636,551	1,647,667	-0.7%	1,645,963	1,659,895	-0.8%
attributable to non-controlling interest	52	46	13.0%	-	-	x
attributable to owners of the parent	8,471,658	8,366,668	1.3%	-	-	x
Total liabilities and equity	**74,938,359**	**71,530,305**	**4.8%**	**71,440,952**	**67,909,254**	**5.2%**

6. Statement of profit or loss of the Group and of the BCR

	Group			Bank		
in RON thousands	**31.12.2019**	**31.12.2018**	**Variance %**	**31.12.2019**	**31.12.2018**	**Variance %**
Net interest income (1)	**2,256,271**	**2,047,195**	**10.2%**	**2,139,209**	**1,946,477**	**9.9%**
Interest income	2,661,708	2,488,627	7.0%	2,568,106	2,392,496	7.3%
Other similar income	86,783	95,434	-9.1%	26,923	38,489	-30.1%
Interest expense	(451,566)	(513,662)	-12.1%	(416,360)	(461,631)	-9.8%
Other similar expense	(40,654)	(23,204)	75.2%	(39,460)	(22,877)	72.5%
Net fee and commission income (2)	**780,609**	**706,814**	**10.4%**	**747,972**	**673,853**	**11.0%**
Fee and commission income	946,460	881,176	7.4%	900,910	824,162	9.3%
Fee and commission expense	(165,851)	(174,362)	-4.9%	(152,938)	(150,309)	1.7%
Dividend income (3)	2,569	3,731	-31.1%	15,994	11,684	36.9%
Net trading result (4)	346,346	431,709	-19.8%	337,792	426,985	-20.9%
Gains/(losses) from non-trading financial instruments mandatorily measured at fair value through profit or loss (5)	15,569	18,429	-15.5%	15,569	18,429	-15.5%
Foreign currency translation (6)	(9,475)	(3,347)	183.1%	(5,307)	(6,209)	-14.5%
Net result from equity method investments (7)	(390)	2,651	-114.7%	-	-	x
Rental income from investment properties and other operating leases (8)	98,919	78,388	26.2%	11,158	11,045	1.0%
Personnel expenses (9)	(775,990)	(780,810)	-0.6%	(668,348)	(684,947)	-2.4%
Other administrative expenses (10)	(685,214)	(671,461)	2.0%	(713,793)	(689,897)	3.5%
Depreciation and amortisation (11)	(242,258)	(197,901)	22.4%	(211,820)	(136,238)	55.5%
Operating Income (1+2+3+4+5+6+7+8)	**3,490,418**	**3,285,570**	**6.2%**	**3,262,387**	**3,082,264**	**5.8%**
Operating Expense (9+10+11)	**(1,703,462)**	**(1,650,172)**	**3.2%**	**(1,593,961)**	**(1,511,082)**	**5.5%**
Operating Result	**1,786,956**	**1,635,398**	**9.3%**	**1,668,426**	**1,571,182**	**6.2%**
Gains/(losses) from derecognition of financial assets measured at amortised cost	(485)	-	x	(485)	-	x
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(29,413)	2,221	-1424.3%	(29,413)	2,221	-1424.3%
Net impairment loss on financial instruments	61,816	(121,217)	-151.0%	6,273	(122,361)	-105.1%
Other operating result, out of which	**(923,113)**	**(87,920)**	**949.9%**	**(705,238)**	**(260,487)**	**170.7%**
Other income	286,092	174,340	64.1%	180,815	77,544	133.2%
Other expense	(1,209,205)	(262,260)	361.1%	(886,053)	(338,031)	162.1%
Levies on banking activities	(52,003)	-	x	(52,003)	-	x
Pre-tax result from continuing operations	**895,761**	**1,428,482**	**-37.3%**	**939,563**	**1,190,555**	**-21.1%**
Taxes on income	(302,495)	(226,219)	33.7%	(287,654)	(220,108)	30.7%
Net result for the period	**593,266**	**1,202,263**	**-50.7%**	**651,909**	**970,447**	**-32.8%**
Net result attributable to non-controlling interests	6	10	-40.0%	-	-	x
Net result attributable to owners of the parent	**593,260**	**1,202,253**	**-50.7%**	**651,909**	**970,447**	**-32.8%**

7. Equity accounts and profit distribution

7.1. Equity accounts as at 31 December 2019

The Bank's equity as at December 31st 2019, amounts to RON 8,305,054 thousands and is detailed below:

	Bank
in RON thousands	
Share capital[1]	1,625,342
Adjustement of the capital - hyperinflation	1,327,223
Merger premium	395,483
Other reserves	1,130,670
Legal statutory reserves	569,355
General reserve regarding credit risk set up from profit before tax	162,935
Reserve on general banking risks	267,673
Other reserves	130,707
Fair value reserve	119,810
Retained earnings	3,054,617
Net profit for the period	651,909
Total amount of the Bank's equity	**8,305,054**

[1] The share capital represents the subscribed and paid-up share capital at nominal value, consisting of 16,253,416,254 ordinary shares (equal voting rights) with each nominal value of RON 0.1 / share. The Bank and the Group does not hold redeemed own shares.

Erste Bank is the direct parent of the Bank and holds 99.8776% of share capital at 31st December 2019.

7. Equity accounts and profit distribution (*continued*)

7.2. Profit distribution

The net profit of the Bank for the financial year ended 31 December 2019, amounting to RON 651,909,666 will be distributed according to the law.

The Proposal for the distribution of profit, in accordance with: art. 29 para. 1 of the Accounting Law no. 82/1991, republished as subsequently amended and supplemented, para. 67 of the Law no. 31/1990, republished as subsequently amended and supplemented and para. 27 of BCR Charter. The Supervisory Board proposes to the General Meeting of Shareholders the distribution of 2019 net profit as follows:

Item	Amount - in RON
Other reserves[1]	66,795,846
Dividend distribution[2]	325,954,833
Result reported [3]	259,158,987
Total	**651,909,666**

[1]The amount of 66,795,846 RON represents the reinvested accounting profit of BCR which was exempt from applying corporate income tax, in accordance with the provisions of the Fiscal Code in force and which therefore should be mandatorily allocated to "Reserves" category of own capital.

[2]The amount of RON 325,954,833 represents the gross amount of the dividends.

[3] The retained earnings totalling RON 259,158,987 will be used in accordance with the Bank's business strategy.

7.3. Own funds elements

Pursuant to Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, Chapter II "Basic Tier 1 Own Funds", Article 26, paragraph 1, the main own funds items other than share capital instruments are: retained earnings, other items of accumulated comprehensive income, other reserves and funds for general banking risks. Eligible own funds items are included net of potential obligations (dividends, taxation effects). In case of reinvested accounting profit, the amount included in own funds will be net of any tax charge foreseeable at the moment of its calculation. The taxation effect will be maintained until the full amortization (useful life expiry) of assets for which fiscal facility was calculated.

These items are considered Own Funds Common Equity Tier 1 only if they are available to the bank for unrestricted and immediate use in order to cover risks or losses as soon as they appear.

8. Subsidiaries business performance overview and predictions

8.1. BCR Chisinau SA

In 2019, BCR Chisinau registered an increase of its assets of 35% (the first largest increase in the system) compared to 2018. This result was possible thanks to the confidence of the clients towards the bank, BCR Chisinau increasing its portfolio of attracted deposits by 67%. At the same time, the volume of loans registered a slight decrease (44.9 mn MDL) in accordance with the strategy of limited lending to clients with big exposures, to avoid further concentration of the existing portfolio.

During 2019, BCR Chisinau has managed to significantly improve the digital services offered to customers by implementing the Mobile Banking solution, optimizing the 24 Banking solution and including the possibility of opening deposits by individuals through 24 Banking.

The share of Non-performing loans decreased significantly in 2019 to 5.97% from 9.1% in 2018 (the NPLs are concentrated in a limited number of loans of a single client and mostly provisioned). As a core part of its risk management strategy, BCR Chisinau maintained a prudential approach by increasing its provisions, calculated in accordance with International Financial Reporting Standards (IFRS) and in accordance with the requirements applied in BCR/ Erste Group. In this context, the coverage on non-performing loans has increased from 73.8% in 2018 to 94.8% in 2019. BCR Chisinau registered a Net Profit in 2019 of MDL 19.1 mn (RON 4.6 mn) driven by the increase in its operating result (in 2018: MDL 14.7 mn or RON 3.4 mn).

For 2020, BCR Chisinau strategy is based on the following main pillars: increase of the self-funding, increase of its revenue from operational activity, automation and continuous alignment with local regulatory requirements and group policies.

8. Subsidiaries business performance overview and predictions (*continued*)

8.2. BCR Leasing IFN SA

In 2019, BCR Leasing focused on consolidating its activity, investing in both new and existing projects, focusing mainly on the IT infrastructure area, streamlining processes and partnerships. The total assets of BCR Leasing increased by 19% compared to the previous year, reaching RON 2.3 billion based on new sales volumes of RON 216 mn, as well as the quality of the existing portfolio. The share of non-performing exposures remained at a low level of 3.51% (2.50% in 2018), reflecting the efforts to improve the quality of the portfolio, as well as the quality of new sales.

The net profitability of the company was RON 14 mn, 62% lower than in 2018, affected mainly by the general provisions as well as the corporate income tax.

The operating result increased by 13% compared to the previous year (RON 68 mn in 2019 vs. RON 60 mn in 2018), mainly due to the increase in net interest income by 10% (RON 75 mn in 2019 vs. RON 69 mn in 2018). In 2019, the cost/income ratio improved from 33.5% in 2018 to 32.1% in 2019, reflecting the company's efficiency.

The sales volume continued to be stimulated by both sales channels, the Bank and the partnerships with dealers / importers.

In 2020, BCR Leasing will go through a process of improving operational efficiency by adjusting processes and workflows, while continuing its strategy to increase sales volumes.

8.3. BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private ("SAFPP") SA

BCR Pensii SAFPP is a company that performs its activity on the private pensions market in Romania, including mandatory (Pillar II) and voluntary private pensions (Pillar III).

At the end of 2019 the company ranked 6th in the top of mandatory private pension funds management companies acting on the Romanian market, in terms of total number of subscribers, with a market share of 8.95% and 667,635 subscribers.

In terms of total number of subscribers for voluntary pensions funds, BCR Pensii SAFPP ranked 2nd, with a market share of 27.46% corresponding to a number of 137,594 participants.

The strategy of the subsidiary is to promote its two funds towards an increased number of eligible prospects and to promote the benefits of the supplementary pension as a long-term saving product. Regarding the sales strategy for Pillar III, it is based on improving the quality of the portfolio by continuing the actions of reactivating the payments for suspended contributions and ensuring quality sales through constant sales management actions.

During 2019, there were several changes regarding the privately managed pension funds as follows:

- contributors to privately managed pension funds were offered the option to transfer their contributions to the public pensions system (Pillar I) if they had previously contributed to the privately administered fund for at least 5 years, while all their accumulated net assets up to the transfer date remain in the privately managed pension fund;
- the minimum social capital requirement to manage a private pension fund has been increase, from a fixed amount (EUR 4 mn) to a progressive percentage, up to 8% of the previous year gross contributions multiplied by a factor of 1 less percentage of investments in infrastructure, respectively through private-public partnership, specialized investment, funds in infrastructure, in total assets at the end of the previous year;
- the level of management fees charged by private pension fund managers has been significantly reduced. The fee has been reduced from a maximum of 2.5% to maximum 1%, out of which 0.5% will be transferred to the National House of Public Pensions. Also, the maximum monthly commission from the total net assets of the privately managed pension fund, has been set in a range between 0.02% and 0.07% (depending on the rate of return of the fund relative to the inflation rate). (Under the previous rules, the maximum was 0.05%, without any link of investment performance and inflation rate).

For the time being, the legislation was modified in the sense that the article that allows contributors to transfer their contributions to the public system (Pillar I) has been repealed, its impact on transferred contributors volume, during 2019 being low. The minimum social capital requirement was extended to 31.12.2019 and subsequently repealed, and consequently it is not necessary to supplement the share capital for BCR Pensii SAFPP SA. Also, new legislative changes have been made regarding both the level and the way of calculating the management fees for private pension fund managers.

8. Subsidiaries business performance overview and predictions (*continued*)

As a consequence of the legal changes mentioned above, during the year 2019, the total incomes realized by BCR Pensii from the management of pension funds were lower by 30% compared to the previous year, and have decreased from RON 39.37 mn in 2018 to RON 27.50 mn in 2019.

The BCR Pensii strategy continuest in 2020 with the pursue of increasing the number of participants to the voluntary pension fund BCR Plus developing the pension product by adding to it the guarantee facility for all BCR Plus fund participants.

8.4. BCR Banca pentru Locuinte SA

The activity of BCR Banca pentru Locuinte SA consists in the sale and management of savings and loan products for housing purposes (type Bauspar).

The total portfolio of BCR Banca pentru Locuinte SA (saving contracts) is 126,589 number contracts, customers have realized savings as of 31 December 2019, in amount of RON 1.82 billion, considering that the granting of new contracts is cancelled. Lending activity, for approved loans, has dropped by 73.91% at the end of 2019 (RON 28.02 mn) compared to the end of 2018 (RON 107.39 mn).

The financial result for the year 2019 is a loss and does not owe banking tax.

The audit mission of the Romanian Court of Accounts – BCR Banca pentru Locuinte ("BpL")

In 2015, the Romanian Court of Accounts (hereinafter referred to as 'the CoA') conducted a control at the BpL. Following the mission, the CoA claims that several deficiencies were identified, the vast majority grounded on a different interpretation of the applicable legal provisions.

On 15 December 2015, the CoA issued the Decision no. 17, maintaining all the claims included in their initial report and requested BpL to establish exactly the amount of the prejudice. On December 23, 2015, BpL appealed the Decision no. 17 of the CoA, appeal that was rejected by the Commission for Solving Claims of the CoA through Decision No 2/29 February 2016, maintaining as such the Decision no. 17/2015.

Court of Appeal pronounced its resolution on March 1st 2017 and decided in favour of BCR BpL for 5 out of 8 claims. Both BpL and CoA filed second appeal against this decision and, on June 21, 2019 High Court of Cassation and Justice (HCCJ) decided as follows:

- Both second appeals were admitted and the decision of the first court was annulled; as a consequence, the HCCJ re-judged the request of BCR BpL and annulled only two measures, maintaining 6 of them.
- The maintained measures relate to the incorrect calculation of State premium by BpL.

BCR BpL received on 18th of July 2019, the motivation of the High Court of Justice decision.

As a consequence, BpL is in process for establishing all the amounts that should be returned to the State, in accordance with the Court of Justice final decision (consisting of state premiums, interest and penalties). The most probable future outflow of resources was estimated and booked as a provision as of 31.12.2019, in accordance with IAS 37 requirements. Moreover, consideration was given as to whether other payment obligations could arise in connection with this fact, including possible withholding tax on the amounts already released to the clients as state premiums.

The following legal actions are started by BpL following HCCJ Decision of 21.06.2019:

- In Romania:
    - Revision (extraordinary appeal): with first hearing on the merits on 26.02.2020 by the High Court of Cassation and Justice in Romania; postponed until 08.04.2020;
    - Contesting for Annulment (extraordinary appeal): Court hearing established for 25.03.2020 by the High Court of Cassation and Justice in Romania.

- At European level: BpL raised the case to the European Court for Human Rights by submitting the relevant documents for the case on 17.01.2020.

Regarding the CoA Decision implementation, BpL has requested the extension of the deadline. CoA has issued the Decision No. 17/2/2015/28.11.2019 through which has extended the deadline for implementing the measures until March 31st, 2020.

8. Subsidiaries business performance overview and predictions (*continued*)

On 9th of July 2019, BCR paid the amount of RON 673 million to BpL for capital needs. Subsequently, the capital increase provided to BpL was fully impaired. BpL repaid to BCR an amount of RON 191 million in July 2019, representing the balance of the initial loan (RON 425 million) borrowed from BCR in 2016 with maturity August 2019. In July 2019, BCR granted to BpL a loan in amount of RON 66 million with 2 years maturity.

BpL has done a partial payment of an amount of RON 50.9 mn on September 20th2019 to the Ministry in charge (MDRAP) in respect of the Court of Accounts Decision and for the time being is in the process of establishing the final prejudice amount, whose implementation deadline is 31.03.2020, according to CoA Decision No. 17/2/2015/28.11.2019.

These events or conditions, along with other matters as set forth above, indicate that a material uncertainty exists that may cast significant doubt on the BpL's ability to continue as a going concern, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

It should be mentioned that, currently, the outcome of the current litigation is highly uncertain and cannot be predicted on a reliable basis. Moreover, further on and depending on it, the management/shareholders need to evaluate the company's strategic options and their implications, deciding, at the same time, the future course of action with respect to the company. The management/shareholders did not express so far any formal intention to liquidate the company or to cease performing the business activity.

Meanwhile, the Company is continuing to operate by granting new Bauspar loans to the existing customers who fulfil the legal and contractual conditions and by accepting the crediting of the existing clients deposit accounts.

However, considering the levels of the prudential indicators such as liquidity ratio and capital ratio as of the end of 2019 and BCR showed its commitment towards BpL by providing the necessary capital for YE 2019, the company will be able to meet its obligations in the near future.

Therefore, the Management has evaluated the overall situation of the company and concluded that, despite of the fact that both the current litigation final outcome and its impact on the future Bauspar business are highly uncertain, BpL is financially stable for the foreseeable future.

Consequently the going concern basis for preparing its financial statements as of 31.12.2019 was assessed as appropriate.

8.5. Suport Colect SRL

In 2019, Suport Colect continued performing its core business activity represented by the collection of the loans receivables portfolio owned, including cash collections from receivables, or through properties obtained as debt to asset swaps, either amiable or in enforcement or sale of receivables.

In 2019, the Company reported under IFRS a net profit amount of RON 9.4 mn thousands mainly due to positive effect obtained from collection activity on the portfolio of loan receivables and to the litigations provisions release.

In 2020, the action plans are focused on the following main aspects: sale of the properties owned, continue the efforts to realize recoveries on the loans receivables portfolio and close the related processes (having the enforcement process closed, collateral sold, close litigations).

8.6. CIT One SRL

Set-up in August 2009, by separation from BCR structure, CIT One gradually developed, currently being the second company by turnover, client portfolio, number of employees, fleet, cash processing and transport capacity on the Romanian market.

During 2019, the company focused on increasing volumes by taking over both new customers and additional volumes from existing customers.

From an operational point of view, CIT One continued expanding and renewing the armoured vehicles fleet, built a new Cash Processing Centre in Brasov and closed the Cash Processing Centre in Targu Mures by relocating its activities to the Cash Processing Center in Cluj-Napoca.

The financial result for the year 2019 is a net profit of RON 4.4 mn under IFRS. For the year 2020, CIT One is planning the expansion of the processing capacity by building new processing centres, by increasing the fleet, software and IT hardware investments, as well as modern security systems investments.

8. Subsidiaries business performance overview and predictions (*continued*)

As at December 2019 transaction documents related to CIT One capital increase were signed, with the following details:

(i) Entering by BCR with other investors into a transaction involving the share capital increase of CIT One S.R.L. (CIT One or the Company), pursuant to which the other investors will become shareholders in CIT One with equal shareholding of 33.3%;

(ii) Main terms and conditions of the transaction are included in the Subscription Agreement and Shareholders Agreement signed, by which the completion of the Transaction depends on the successful implementation of various conditions precedent described in the Subscription Agreement (e.g. Romanian Competition Council/European Commission clearance of the Transaction, execution of additional transaction documents).

8.7. BCR Fleet Management SRL

BCR Fleet Management started its operations in 2012, providing operational leasing and fleet management services for corporate clients with large fleets. BCR Fleet Management developed partnerships with the most important passenger cars and commercial vehicles dealers and importers in Romania, being able to provide its services for almost any passenger car or commercial vehicles.

During the last 7 years, BCR Fleet Management has become an important player in the operational leasing market with a total fleet over 4,700 vehicles and total asset size of RON 410 mn at the end of 2019, showing an increase of almost 23% compared to last year. BCR Fleet Management's clients are mostly multinational corporations or large Romanian companies, as well as public sector organizations.

The operating income of the company reached RON 62 mn, up 25% compared to last year sustained through increased rent revenue by new sales volume of approximately RON 160 mn. The net profit in 2019 was RON 11.7mn under IFRS.

For 2020, BCR Fleet Management commercial strategy will be focused on developing further the corporate clients segment, as well as diversifying the portfolio in the retail. Apart for that, BCR Fleet Management will aim to improve operational efficiency by adjusting its processes and workflows to its actual size, developing its infrastructure.

During 2019, the Management Board of BCR approved the launching of the sale process of investment in shares in BCR Fleet Management. As at year end 2019 the procedure for obtaining offers for investor selection was in progress.

8.8. BCR Payments Services SRL

BCR Payments Services SRL is a subsidiary of the BCR Group, founded in 2011, following the outsourcing of payment processing which were made until then integrated into the same unit BCR Sibiu Processing Centre of the Banking Operations Department. The company is responsible for centralized processing of payment transactions in local and foreign currency, debt instruments in local currency and foreign currency, accounts opening and maintenance.

BCR Payments Services serves all local units of BCR, Banking Operations Division, and other BCR divisions, on the base of the outsourcing contract signed between the two parties. During 2019, 4.6 mn transactions were processed and the company's net profit at 31 December 2019 amounted RON 329 thousands under IFRS.

In 2020, BCR Payments Services SRL will focus on extending of range of services provided as well as further improvement internal efficiency through investments in personnel.

9. The Bank's and Group risk profile

9.1. Overview

The overall focus of risk and capital management throughout 2019 was on maintaining the BCR Group risk profile in line with the BCR Risk Strategy, increasing the capital base and supporting the strategic management initiatives with a focus on balance sheet optimization.

BCR Group uses a risk management and control system that is forward-looking and tailored to its business and risk profile. This system is based on a clear risk strategy that is consistent with the business strategy and focused on early identification and management of risks and trends. The overall risk profile for BCR Group, as well as the individual risk profiles are implemented through the BCR Group Risk Strategy and are subject to an annual comprehensive review process. A quarterly assessment of the risk profiles is considered to check if there are changes in respect of the risks materiality or if new risks occurred in the Bank activity.

9. The Bank's and group risk profile (*continued*)

Given BCR Group business strategy, the key risks for BCR Group are credit risk, market risk (including interest rate risk in the banking book), liquidity and funding risk and operational risk. All material risks are covered by BCR Group's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of BCR Group.

Based on the BCR Group Risk Strategy and BCR Group overall and individual risk profiles, BCR Group subsidiaries, including BCR, set up their local risk profile. Also, BCR Group's capital management framework serves to ensure that the BCR group and its subsidiaries are capitalized in line with the risk profile, regulatory requirements and economic capital requirements.

As part of its risk strategy, BCR Group analyses its actual risk profile and determines a target risk profile based on its strategic goals. The target risk profile is a result of the risk assessment process in combination with the boundaries set by the business strategy and the risk appetite framework. In terms of governance, full oversight of the risk profile and a sound execution of the risk strategy is ensured including appropriate monitoring and escalation of issues that could materially impact the risk profile of the Group.

9.2. Proportionality Principles

The proportionality principle is a crucial and integral part of BCR Group's overall risk framework and strategy. The proportionality principle is applied for the core components of BCR Group ICAAP framework (Risk Materiality Assessment/Risk taxonomy, Risk-bearing Capacity Calculation, Risk Appetite & Risk Profile, Stress testing, Risk Concentration Analysis).

BCR Group level risk management principles, concepts and processes are generally designed, developed and implemented to address over-arching organizational needs across both group and local entities/subsidiaries reflecting a high degree of granularity and detail.

However, subsequent implementation and application at BCR Group subsidiaries requires an approach that takes differences in business structures, size, complexity and relevance into account. This will ensure a meaningful, suitable and adequate application across BCR Group in line with local needs and capabilities while still fulfilling overall BCR Group level requirements and standards.

The evaluation of proportionality criteria is reviewed on an annual basis and included in the Risk Strategy. In addition, a reassessment might be carried out outside the annual review cycle if changed business parameters indicate a need for a respective reclassification.

9.3. Risk Profile

Starting from the volume and nature of BCR activity as part of BCR Group, the risk profile of BCR Group is driven by the Bank risk profile. Thus, the Risk Profile for BCR Group follows in general the same directions as the Bank, both with regard to overall risk profile and individual risks profiles based on the following considerations:

- the volume and nature of BCR activity as part of BCR Group;
- the categorization of BCR as a full subsidiary based on the Proportionality Principles.

9.4. Individual risk profiles for the key risk types

9.4.1. Credit Risk

Credit risk is defined as the current or prospective risk to earnings and capital arising from a borrower's failure to meet the terms of any contract with the credit institution or its failure to perform as agreed.

In respect of the credit risk profile, in order to lower the risk profile for this risk in 2019, BCR has targeted the following strategic directions:

- Any relaxing of the lending standards which can affect the Credit Risk profile of the bank have to be benchmarked against the targeted risk profile and operative limits, supporting metrics and in the end against the Risk Appetite Statement;
- An integrated risk management framework where risk appetite is cascaded down to the highest granular level in terms of concentration policy, lending acceptance criteria and business strategy;
- BCR Group continued to refine, update, monitor and redevelop its statistically validated scorings, rating models, risk parameters and tools;
- BCR Group continued to manage the industry concentrations and to align the portfolio composition with the business strategy; perform periodical stress tests/sensitivity analysis related to the impact of credit risk on the Bank and Group.

9. The Bank's and group risk profile (*continued*)

9.4.2. Concentration risk

The BCR concentration risk framework outlines the standards needed to identify, measure, monitor, and mitigate concentration risks, whose implementation is essential to ensure the long-term viability of any financial institution, especially in the case of stressed economic conditions.

In respect of concentration risk management, the Bank has implemented a wide framework of limits which are specific, measurable, frequency-based, reportable, and based on forward looking assumptions in order to facilitate effective monitoring and reporting.

The limit framework includes material risk concentrations at the bank-wide, business line and legal entity levels (e.g. counterparty, industry, region, product) aiming to ensure that the Bank operates within its defined Risk Appetite and they are effective in controlling Risk Tolerance. Dimensions included in the limit framework comprise: industry limits, geographic regions, corporate unsecured loans, corporate and Retail product limits, FX retail limits, as well as concentration risk limits on individual counterparties depending on the ratings (maximum / operational lending limits), market and liquidity risk limits and operational key risk indicators.

9.4.3. Residual risk

This is the risk that the recognized credit risk mitigation techniques (e.g. collateral) employed by the Bank will be less effective than expected.

Collateral and credit enhancement are evaluated pursuant to internally defined rules. Depending on rating grade, purpose and tenor, risk bearing products are protected against losses by stipulating adequate collateral that is fully and indisputably legally enforceable and sufficiently documented for the Bank. Nevertheless, collateral and credit enhancement can never substitute repayment capability.

9.4.4. FX induced credit risk

FX induced credit risk is a risk associated with foreign currency lending to un-hedged borrowers, which arises due to exchange rate fluctuations of the respective foreign currency.

Foreign currency loans are defined as loans that are at least partially receivable in other currencies than the legal tender of the country in which the borrower is domiciled. Un-hedged borrowers means borrowers without a natural or financial hedge which are exposed to a currency mismatch between the loan currency and the hedge currency. Natural hedges include in particular cases where borrowers receive income in foreign currency (e.g. remittances/export receipts), while financial hedges normally presume there is a contract with a financial institution.

The Bank has in place limits for new retail FX loans and total FX retail limits in order to decrease the overall retail FX exposures and mitigate FX Induced Credit Risk. FX induced Credit Risk is also estimated through capital requirement under Pillar 2, and monitored by the bank on a quarterly basis.

9.4.5. Market Risk

Market risk is the risk to incur losses corresponding to on-balance and off-balance positions due to adverse market price movements (such as, for example, stock prices, interest rates, commodity prices and foreign exchange rates).

Key principles of BCR Group's market risk management are based on the following pillars:

- Identification of market risks – identification of market risks inherent in the investment operations and in new products, and ensuring adequate procedures and controls before these are implemented or undertaken;
- Position keeping and Market Data Maintenance – ensuring proper data representation of BB and TB positions and also sourcing of appropriate market data for financial instruments and risk factors including data quality checks and cleansing;
- Pricing and valuation – maintenance of appropriate instrument pricing framework and valuation routines for the calculation of valuation adjustments;
- Risk measurement – calculation of risk exposure using sensitivities, value-at-risk, and stress testing;
- Validation - On one hand this concerns Value at Risk ("VaR") back-testing while on the other hand parameters and models used must be validated on a regular basis;
- Market Conformity of Trading Activity - assuring that trading activities are performed at market conforming prices and rates;
- Market Risk Limits - development of a comprehensive limit system, limit allocation and violation reporting;
- Market Risk Monitoring and Reporting – timely and accurate reporting of all relevant information.

9. The Bank's and group risk profile (*continued*)

9.4.6. Liquidity & Funding Risk

Liquidity Risk is the risk that the bank is unable to meet its payment obligations when they come due or only being able to meet these obligations at excessive cost.

BCR Group distinguishes between market liquidity risk (which is the risk that the group entities cannot offset or close a position at the market price because of inadequate market depth or market disruption) and funding liquidity risk (which is the risk that the banks in the group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the group members).

Furthermore, the funding liquidity risk is divided into structural liquidity risk (the long-term risk of losses due to a change in the bank's own refinancing cost or spread) and insolvency risk (the short term risk that current or future payment obligations cannot be met in full, on time in an economically justified way).

BCR Group has an appropriate reporting framework for liquidity and funding risk management which includes the scope, possible manifestations and frequency of these risks, and which also designates the entity responsible for preparing the specific reports.

In 2017, BCR Bank and BCR BpL have implemented and started delivering to the regulator the Additional Liquidity Monitoring Metrics (ALMM) reports, thus benefiting from a more comprehensive analysis of their financing sources.

The Bank has an adequate set of limits on the values of various liquidity risk indicators, which enable it to closely monitor and control liquidity risk. These limits are also cascaded down to the major entities of BCR Group (i.e. BCR BpL and BCR Chisinau), which have also implemented the limits and set their own values, based on prior approval from BCR Bank.

The Bank is also using the Survival Period Analysis ("SPA") as a key tool for measuring liquidity risk; its aim is to assess whether sufficient liquidity can be obtained in order to operate at a level where the Bank can survive for the length of all predefined liquidity crisis scenarios. The analysis is performed per each significant currency (i.e. RON and EUR), and per total currencies.

Another important tool for BCR's funding risk management process is the CFP (Contingency Funding Plan). It provides a useful framework in the event the Bank is unable to fund some or all of its activities in a timely manner, and at a reasonable cost.

With respect to cash flow risks, BCR is actively managing the intraday liquidity positions, such that it can be able to fulfil at any time the requirements related to payments and settlements, in both normal and crisis conditions.

Thus, BCR has the capacity to:

- measure daily the gross inflows and outflows, to predict as accurately as possible the time of the day when these flows will occur, and to predict any financing deficits that may occur during a day;
- monitor the intraday liquidity positions as compared to the expected activities and available resources (balances, capacity to cover outstanding loans, available collaterals);
- obtain the necessary financing for meeting the intraday liquidity objectives;
- manage the eligible collaterals for obtaining the intraday financing;
- manage the liquidity outflows according to BCR intraday objectives;
- be prepared to face unexpected changes in intraday liquidity flows.

The mechanisms used by BCR in order to calculate the liquidity position are based on the following:

- prediction of cash-flows impacting the current account during the day – as accurately as possible – including prediction of the timing of these flows throughout the day;
- estimation of the possible cash-flow shortages throughout the day;
- ability to monitor the intraday liquidity position and the expected liquidity requirements throughout the day.

Potential measures used by BCR for managing liquidity in order to ensure the intraday availability of funds are:

- the possibility to access intraday liquidity from NBR in case of necessity to cover unexpected amounts during a day;
- making payments based on the available resources (and the liquidity position expected during the day).

9. The Bank's and group risk profile (*continued*)

9.4.7. Operational Risk

BCR Group's operational risk is governed by an operational risk management policy, which defines:

- the operational risk management structure, hierarchy and governance model ("three lines of defence model");
- the risk appetite setting the limits of residual operational risk tolerance (OpRisk scaling matrix);
- common standards for managing and documenting operational risk within BCR Group;
- the framework that ensure OpRisk (OpRisk concentrations) are adequately identified, assessed, documented and managed.

The quantitative measurement methods are based on internal loss experience data, which are collected across Erste Group using a standard methodology and entered into a central data pool. In addition to the quantitative methods, qualitative methods are also used to determine operational risk, such as risk and control self-assessment, outsourcing risk assessments, scenario analysis etc. BCR Group also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.

To lower the operational risk profile, Bank has undertaken the following measures:

- permanent development and improvement of control environment;
- improvement of operational loss data collection;
- performing periodical stress tests/ sensitivity analysis related to the impact of operational risk on the Bank and Group.

The Bank and its subsidiaries have implemented a wide range of specific ratios for managing operational risk. The monitoring and regular reporting of operational risk indicators (KRI) is enabling the Bank to detect any change in its exposure to operational risk in due time. Also, the Bank is monitoring the evolution of recorded events, as well as through implementing/ solving corrective measures.

9.4.8. Reputational Risk

Reputational risk is defined as the current or prospective risk to earnings and capital arising from adverse perception of the image of the credit institution on the part of customers, counterparties, shareholders, investors or supervisory authorities.

Reputational risk issues arise from transactions with clients or through different business activities. However, due to its nature, these usually materialize through other risk types. The primary responsibility for the identification, escalation and resolution of reputational risk issues resides with business and the relevant risk type owner supports their resolution.

Reputational risk registered improvements in 2019 based on continuing initiatives / projects begun in the past year, such as the financial education program, strengthening corporate culture, using the risk return decision tool, new product approval process.

10. Risk management

10.1. ICAAP framework

BCR Group has continued to strengthen its ICAAP comprehensive framework. This includes as its fundamental pillar the ICAAP (Internal Capital Adequacy Assessment Process) required under Pillar 2 of the Basel framework.

The ICAAP framework is a holistic steering and management model designed to support BCR Group in managing its risk portfolios and its risk bearing capacity by ensuring that the bank has, at all times, an adequate coverage potential which ensures the necessary capital adequacy to sustain its business and risk strategy.

A key component of ICAAP is the assessment of the group's capital adequacy using economic capital measures. In the ICAAP, the Group identifies and measures its risks and ensures that it has sufficient capital in relation to its risk profile. The process also ensures that adequate risk management systems are used and further developed. The relevant components of the framework refer to:

- risk profile;
- risk appetite (RAS);
- risk bearing capacity (RCC);
- stress testing;
- risk planning and forecasting;
- recovery plan.

10. Risk management (*continued*)

10.1.1 Risk profile

The risk profile is represented by the aggregated actual and potential risk exposures of the Bank.

The Group Risk Profile is developed within the Risk Appetite and by evaluating the material risks to which the bank is exposed. BCR Group ICAAP Report monitors the development of the BCR Group Risk Profile compared with the Risk Appetite and Risk Strategy and it is presented to the Management Board and Supervisory Board on a quarterly basis.

10.1.2 Risk appetite (RAS)

BCR Group defines its Risk Appetite through the annual strategic planning process to ensure appropriate alignment of risk, capital and performance targets. RAS represents a strategic statement expressing the maximum level of risks BCR Group is prepared to accept in order to achieve its business objectives. It consists of a set of core metrics providing quantitative direction for risk steering, as well as qualitative statements in the form of key risk principles that form part of the strategic guidelines for managing risks.

10.1.3 Risk bearing capacity (RCC)

The Risk Bearing Capacity calculation defines the capital adequacy required by ICAAP. Within the RCC the Group's risks measured from an internal economic perspective are summed up to provide the basis to determine BCR Group's Economic Capital. The Economic Capital is then compared to internal capital, as measured by the coverage potential.
The integral forecast, risk appetite limits and the traffic light system support management in its discussions and decision process. The traffic light system embedded in BCR Group's RCC helps to alert the management in case there is need to decide on, plan and execute actions either to replenish the capital base or to take measures for reducing risk.

10.1.4 Stress testing

Stress testing is a vital component of the Risk Management framework within BCR Group and is incorporated into the strategic planning process for business activities, capital and liquidity assessment. The assessment of the ability of the Bank to sustain losses in severe but plausible macroeconomic scenarios provides information on the adequacy of the overall business model, and supports the planning of emergency and mitigation measures.

Stress testing results and recommendations are incorporated into the process for defining the RAS, subsequent financial projections and budgeting processes, as well as in the calculation of the risk-bearing capacity and the determination of the economic capital adequacy limit.

10.1.5 Risk Planning and Forecasting

BCR Group has implemented a sound risk planning and forecasting process, which includes both a forward and backward looking component, focusing on both portfolio and economic environment changes.

Planning of risk relevant key numbers is also part of BCR Group ICAAP framework and it assures the adequate reflection of risks within the steering and management process of the Group activity.

10.1.6 Recovery and Resolution Plan

The Bank Recovery Plan Governance represents a framework for the drawing up and the implementation of the recovery plan as a main pillar of strengthening the financial resilience of BCR and restoring its financial position following a significant deterioration. It identifies a set of recovery measures which could be taken in order to restore BCR's financial strength and viability when it comes under severe stress.

The Recovery Plan also ensures that proper remediation measures are applied if the Bank starts moving outside of its approved risk appetite in order to recalibrate its risk profile and ensure that can recover on a sustainable basis.

10.2. Monitoring of the BCR Group Risk Profile

Oversight of the overall risk profile at the BCR Group level consists of both strategic and operational oversight.

10. Risk management (*continued*)

10.2.1 Strategic oversight

A major part of the strategic oversight plan is determining the Bank's risk appetite. The Risk Appetite Statement (RAS) sets the boundary for a maximum risk the BCR Group is willing to accept in order to pursue its business objectives; this includes a set of core steering metrics with trigger levels providing strategic guidelines for risk management and planning.

The Risk strategy sets strategic risk targets based on the targeted risk profile of the BCR Group and the RAS and provides a balanced risk-return view considering strategic focus & business plans.

Both are regularly monitored and reported in the BCR ICAAP Report including a traffic light overview together with respective measures to address identified deviations from strategic plans or objectives.

10.2.2 Operational oversight

Operational oversight involves the identification, assessment, and prioritization of risks and the application of resources to minimize, control and mitigate the impact of unfortunate events on business. Risk management by risk type ensures that the risk specific profile remains in line with the risk strategy and operative limits support the achievement of strategic targets. The development of the specific risk profile (i.e. retail credit, corporate credit, operational risk, etc.) is reported through dedicated risk reports in a more granular way and supports risk decision making of the dedicated risk functions to ensure the risk profile remains within risk strategy. These reports also include specific monitoring metrics that provide an early warning signal for adverse developments of, e.g., portfolio quality (client, segment, industries etc.) or risk drivers. In instances where certain risk portfolios or events are identified as potentially in distress, these are closely monitored by the dedicated risk functions to manage the risk impact and to develop effective strategies to minimize potential losses. This process facilitates early risk detection and reaction.

11. Statement regarding corporate governance

11.1. Corporate governance framework

Banca Comercială Română SA (BCR), bank managed in a two-tier system, carries out its activity based on a corporate governance framework which is in line with the legal and regulatory requirements of the Romanian legislative framework, the EGB Group guidelines, as well as the best international practices in the industry.

The policy regarding corporate governance at BCR level, in compliance with the provisions of the regulatory framework issued by the National Bank of Romania ("NBR"), is based on the principles stating that the overall management structure and especially the supervisory function have the responsibility to establish, assess and periodically and systemically review: how the Bank's activity is organized, the collective and individual competencies and responsibilities, how the implementation and application of the entire set of regulations is monitored, flows and control keys from the perspective of the undertaken mission and vision, targets' achievement as per the business plans, effective risk management.

The policy and the corporate governance principles on which the policy is based are applicable at the BCR Group level, and BCR management body is assuring that at the group level for BCR subsidiaries there is assured a proper corporate governance framework in order the meet all applicable governance requirements.

Within this framework, the undertaken principles are based on the fact that BCR is part of Erste Group – one of the largest financial services suppliers from Central and Eastern Europe, and are aligned with the corporate governance principles applicable at Group level.

From BCR's perspective, corporate governance covers all rules, systems and processes implemented with a view to establish the relation between shareholders, management, clients, employees, suppliers and other parties involved in setting the objectives and the manner to achieve them, for increasing economic performance and, implicitly, the Bank's value. It also highlights the efficiency of the management systems, namely the role of the Supervisory Board and of the Management Board, the responsibilities and remuneration of these structures' members, the creditability of the financial statements and the efficiency of control functions.

Details regarding BCR Corporate Governance Report may be found on the following link: https://www.bcr.ro/en/about-us/corporate-governance.

11. Statement regarding corporate governance (*continued*)

11.2. General and Extraordinary Meeting of Shareholders

The General Meeting of Shareholders (GMS) is the Bank's highest management and decisional body.

The Ordinary GMS deliberates and decides on:

- discussing, approving or changing the annual financial statements, after analyzing the reports of the: Supervisory Board, Management Board and financial auditor, including the reports of Supervisory Board's committees, and setting up the dividends, reserves or other allotments;
- electing and revoking the Supervisory Board members;
- setting up an adequate remuneration for the Supervisory Board members for the current year;
- assessing the activity of Supervisory Board and Management Board's members and discharging them of duty for the previous financial year;
- approving the income and expense budget and, if applicable, the plan of activities for the next financial year;
- approving the pledge, lease or close down of the Bank's units;
- approving the initiation of the legal proceedings against the members of Supervisory Board and the financial auditor and nominating the person empowered to represent the Bank in such legal process;
- appointing and revoking the financial auditor and establishing the minimum duration of the contract concluded with them.

The Extraordinary GMS deliberates and decides on:

- reducing the share capital or its increase, except the case when the increase is decided by the Management Board;
- reconstituting the share capital in order to meet the minimum capital requirements established by law;
- reshaping the Bank main business activity as set forth in Article 7 of the Charter;
- the merger of the Bank with any other company or the Bank splitting up process;
- the liquidation and dissolution of the Bank;
- issuance of bonds;
- conversion of shares from one class to another;
- re-organizing, consolidating or provision documents regarding to fixed assets, when the value of transactions exceeds 25 (twenty five) percent of the Bank own funds;
- contracts conclusion by the Management Board's members regarding the acquisition, selling, lease, exchange or pledge of the Bank assets if the value of such assets exceeds 50 (fifty) percent of the Bank's assets book value on the date of concluding such legal agreement, based on the last available annual financial statements;
- purchase by the Bank of its own shares, directly or indirectly, in accordance with the law;
- amending the Bank Charter;

All shareholders may attend the general meetings of shareholders, in person or by means of a representative. Shareholders can be represented at the General Meeting of Shareholders based on a special power of attorney lodged with the Bank by at least 2 (two) working days before the relevant meeting.

11.3. The Supervisory Board (SB)

The SB shall supervise the Management Board in its operational management of the Bank and monitors the compliance of the activities performed by the Management Board pursuant to the Applicable Legislation, the Bank's Charter and the General Meeting of Shareholders decisions.

The Supervisory Board is composed of minimum five (5) members and maximum nine (9) members appointed by the ordinary GSM for a maximum three-year (3) term, from among the candidates nominated by the shareholders or by the SB in office, with the possibility of being re-elected for subsequent three-year (3) mandates.

11. Statement regarding corporate governance (*continued*)

The main responsibilities include:

- establishes, monitors and regularly assesses (at least yearly) the structure and efficacy of the governance framework of the Bank and its subsidiaries, including the policies related to it, reviewing (at least yearly) and considering various risks, both internal, as well as external that the Bank and its subsidiaries are exposed to;
- approves and regularly reviews, (at least annually) the general business strategy, the risk strategy and the general risk management policy at Bank's level and at the level of its subsidiaries;
- approves and periodically reviews the internal audit statute and the internal audit plan, as well as the financial audit scope and the frequency of audit engagements;
- approves and assesses (at least yearly) the policy regarding compliance risk and its implementation;
- approves the guidelines for staff policy and the organizational structure of the Bank down to the level of independent entities inclusively and any changes thereof.

As of 31.12.2019, the members of the Supervisory Board were:

- Manfred Wimmer – chairman
- Andreas Treichl – deputy chairman
- Hildegard Gacek – member
- Elisabeth Krainer Senger Weiss – member
- Nemoianu Istocescu Daniela Camelia - member
- Vacancy 2 positions – members

The General Shareholders Meeting as of September 2nd 2019 approved the appointment of Mrs. Alexandra Habeler-Drabek and Mr. Bernhard Spalt in the position of members of the Supervisory Board. At December 31st 2019, the 2 members were under NBR authorization process.

During 2019, the following changes in the Supervisory Board membership took place:

- Mr. Gernot Mittendorfer resigned from the position of Supervisory Board member as of 01.07.2019;
- Mr. Andreas Treichl resigned from the position of Supervisory Board deputy chairman as of 1.01.2020;
- BCR was informed on December 20th 2019 about the death of Mr. Brian O'Neill.

The Supervisory Board may establish committees as necessary and appropriate consisting of at least three (3) members of the Supervisory Board, the duties of which will include carrying out analysis and drawing up recommendations for the Supervisory Board in the following main areas: audit, remuneration, nomination and risk.

At December 31st 2019, the Supervisory Board had the following subordinated committees:

- Audit Committee;
- Risk and Compliance Committee;
- Remuneration Committee;
- Nomination Committee.

11.3.1. Audit Committee

The Audit Committee is a consultancy body, which reviews, reports to, advises and assists the Supervisory Board in carrying out its tasks related to internal control and audit.

The Audit Committee is made of three (3) members and one (1) replacement member, appointed from the Supervisory Board members.

The responsibilities, organization, the operation and the roles of the Audit Committee are established by the Audit Internal Rules.

11. Statement regarding corporate governance (*continued*)

11.3.2. Risk and Compliance Committee

The Risk and Compliance Committee is a consultancy body which reviews, reports to, advises and assists the Supervisory Board in carrying out tasks related to risk management function and compliance function.

The Risk and Compliance Committee is made of three (3) members and one (1) replacement member, appointed from the Supervisory Board members.

The responsibilities, organization, the operation and the roles of the Risk and Compliance Committee are established by the Risk and Compliance Committee Internal Rules.

11.3.3. Remuneration Committee

The Remuneration Committee is a consultancy body which reviews, reports to, advises and assists the Supervisory Board in carrying out its powers and responsibilities with respect to the salary policy, and in particular advises and monitors the remuneration, bonuses and benefits of the members of the Management Board.

The Remuneration Committee is made of three (3) member and one (1) replacement member, appointed from the Supervisory Board members. The responsibilities, the organization, the operation and the roles of the Remuneration Committee are established by the Remuneration Committee Internal Rules.

11.3.4. Nomination Committee

The Nomination Committee is a consultancy body, which reviews, reports to, advises and assists the Supervisory Board in carrying out its tasks related to the nomination and assessment of suitability of the members of the Supervisory Board, the Management Board and of the key function holders respectively as well as to the Bank's corporate governance framework.

The Nomination Committee is made of three (3) members and one (1) replacement member, appointed from of the Supervisory Board. The responsibilities, the organization, the operation and the roles of the Nomination Committee are established by the Nomination Committee Internal Rules.

11.4. Management Board (MB)

The Management Board ensures the operational management of the Bank and the effective management of the compliance risk.

The Management Board members are authorized to manage the bank on a daily basis and they have authority and power to legally represent and bound the Bank, according to the Bank Charter.

The Management Board has five (5) members appointed by the Supervisory Board, for mandates of maximum four-year (4) period each, one of them being appointed as President of the Management Board. The remuneration of Management Board members is decided by the Supervisory Board.

The President and the other members of the Management Board have competences and assignments established by law and by the Management Board's Internal Rules. Main responsibilities:

- managing the implementation of Bank's financial targets, strategy and business plan;
- systematically and regularly approving and revising the strategies and policies regarding the risk management;
- approving the strategies and policies related to the internal capital and own equity (covering and proportional to the nature, extension and complexity of the activity conducted by the Bank);
- periodically monitoring and assessing the efficiency of the Bank's activity management framework and practices, mainly the management policies regarding the management framework, and reviewing the management framework in order to reflect any changes in the internal and external factors affecting the Bank;
- approving the explicit plan regarding the capital;
- approving and assessing the Bank risk appetite;
- approving the level of interest, commission, fees, costs and other similar bank changes collected and paid by the Bank in line with the budget approved by the General Meeting of Shareholders;
- approving the internal rules of the committees established by the Management Board.

11. Statement regarding corporate governance (*continued*)

The Members of the Management Board as of 31.12.2019 were as follows:

1. **Sergiu Cristian MANEA** – Executive President, Chairman of the Management Board - mandate valid until 28.02.2022;
2. **Elke MEIER** – Executive Vice-President coordinating the Financial functional line, Member of the Management Board - mandate valid until 31.12.2020;
3. **Frank Michael BEITZ** – Executive Vice-President, coordinator of the Risk functional line, Member of the Management Board - mandate valid until 31.12.2019;
4. **Dana Luciana DIMA** - Executive Vice-President coordinating the Retail and Private Banking functional line, Member of the Management Board - mandate valid until 31.10.2021;
5. **Ryszard Ferdynand DRUŹYŃSKI** - Executive Vice-President coordinating the Operations & IT functional line, Member of the Management Board - mandate valid until 31.12.2020.

In the meeting of the Supervisory Board of the BCR on 14.06.2019, Mrs Ilinka Kajgana was appointed as Executive Vice President, coordinator of the Risc functional line, taking over the duties as of 1.01.2020. Mrs Ilinka Kajgana received NBR's approval on 17.12.2019.

Management Board members meet the general conditions provided by the law and the special conditions of the Banking Law, National Bank's regulations, and Recruitment and Remuneration Policy of BCR Group management.

Professional experience details of Management Board may be found on the following link: https://www.bcr.ro/en/about-us/bcr-management.

The Management Board may set up committees as it deems necessary and appropriate. Such committee's competencies and authority will be stipulated by the Management Board and responsibilities will be defined by each committee's internal rules.

As of July 26th 2019 the new Internal Rules of the Management Board Committees were enforced, the main changes being the following:

- the Cost & Investment Committee was cancelled and the pouvoirs were reallocated to Management Board members based on their area of coordination;
- the Risk Committee of the Management Board membership was set to be: CRO (chair), CEO (deputy chair) and COO. The risk related responsibilities were reviewed, the committee remaining mainly with operational risk related topics and the rest of risk pouvoirs being better clustered on the related areas within Assests and Liabilities Committee or Credit Committee.

As at 31.12.2019, the Management Board's Committees are:

11.4.1. Asset and Liabilities Committee (ALCO)

ALCO reviews, reports to, and assists the Management Board in carrying responsibilities regarding asset and liabilities structure management, financing strategy, interest rate policy, liquidity policy, pricing for savings products/ lending products/ cards, introducing/ suspension or removal the products and services . The committee is a body for analysis and decision that issues decisions and recommendations according to the established authority limits.

The ALCO consists of the Management Board members. The responsibilities, organization, working means and roles of ALCO are established by the MB subcommittees Internal Rules.

11.4.2. Credit Committee

The Credit Committee reviews, reports to, and assists the Management Board in carrying its responsibilities regarding loans granting, changing of terms and conditions for granting, using and/or securing some previously granted loans, concluding agreements, extending their validity periods, issuing letters of guarantee, factoring and other activities, for retail, corporate and workout customers.

The Credit Committee is made of three (3) members. The responsibilities, organization, working means and procedures of Credit Committee are established by the MB subcommittees Internal Rules.

11. Statement regarding corporate governance (*continued*)

11.4.3. Risk Committee of Management Board

Risk Committee of Management Board is subordinated to the Management Board, and is responsible for approval and reviewing the aspects regarding the operational risk administration.

The Risk Committee of Management Board is made of Management Board Members, respective CRO – chairman, CEO – deputy chairman and COO - member. The responsibilities, organization, working means and procedures of Risk Committee of Management Board are established by the MB subcommittees Internal Rules.

11.5. Organization of the internal control system's function

Both supervisory and management functions are responsible for the development and maintenance of a proper internal control system ensuring effective and efficient operations, adequate risk control, prudent business conduct, reliable financial and non-financial information reported at internal and external level, as well as compliance with the on-going laws, regulations and the internal policies and procedures.

The internal control system in BCR Group involves:

a) the existence of a sound internal control framework in place, ensured by:

- clear definition of the role and responsibilities of the management body concerning the internal control;
- identification, assessment and monitoring of significant risks;
- control activities definition, segregation of duties assurance and conflict of interest avoidance;
- a transparent framework for information and communication;
- continuous monitoring of the activities and correcting the deficiencies.

b) the existence of independent control functions in place (the risk management function, compliance function and internal audit function) with direct line of reporting to the management body.

The internal control system is structured on three levels:

- first-level or line controls is designed to ensure that transactions are carried out correctly. Controls are performed by the entities that take the risks and incorporated in specific procedures. The responsibility of this area is allocated to the Business Management;
- second-level of control is the duty of Risk Management Function and Compliance Function;
- third-level controls are performed by Internal Audit Function which assesses and regularly checks the completeness, functionality and adequacy of the internal control system. Internal audit is independent of both first and second-level lines.

12. Social responsibility, diversity & development activities

BCR has implemented a management system of environmental, social responsibility, respect for human rights and fighting corruption and bribery, based on the best practices and the principles published and adopted by institutions such as the European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC).

BCR has an official internal policy aimed at fighting against bribery and corruption. It has implemented regular training and testing for all its employees in order to acknowledge and implement measures against acts of bribery and corruption. The employees are offered the necessary tools to recognize and report.

In Erste Group, there is an official environmental and sustainability policy which is implemented in all the subsidiaries and there is an annual report on the topic.

BCR diversity and inclusion principles are embedded in the Code of Conduct which places emphasis on providing a work environment free of discrimination and harassment and valuing the work and worth of each and every person, regardless of gender, age, marital status, sexual orientation, disability, race, skin colour, religious or political affiliation, ethnic background, nationality, citizenship or any other aspect unrelated to employment.

12. Social responsibility, diversity & development activities (*continued*)

12.1. Corporate Social Responsibility

BCR is an active member of the community who intermediates value and brings prosperity in the communities where it works. BCR's strategic directions regarding community involvement are:

- financial literacy for all ages;
- support and promote leaders and role models;
- civic leadership;
- young people empowerment and supporting youth projects;
- education for soft skills and practical competences.

BCR implements the most complex financial literacy program for all target groups (adults, teenagers and youth, kids) whose purpose is to make people aware of the importance of financial literacy and to help them identify the factors that influence their financial decisions.

- Money School is a national financial literacy program for each age group whose purpose is to help Romanians to better understand and manage their budget and to make them aware of the factors that influence their financial decisions. 1000 BCR employees became financial education teachers through an intensive and out of the box training. They deliver workshops to clients and non-clients that lasts 1.5-2h, in BCR branches or to the companies' headquarters. Participants receive a financial education "kit" that they can use at home as a financial journal. Participants become more aware of the ways they take their financial decisions and how to make a monthly budget. Launched two years ago, the program delivered training courses to over 370,000 Romanians. In 2019, 136,000 people who took part in Money School financial literacy workshops understood how to better manage their money and they became aware of the factors that influence their financial behaviour. The workshops took place in BCR branches, at companies' headquarters, in universities, high-schools and schools, in FLiP- Money School on Wheels and in kindergarten;
- Money School on Wheels – FLIP truck - is an itinerant financial education exhibition for kids aged 7-14 whose purpose is to teach kids how to manage their money correctly and why it is important to have a financially responsible behaviour. For an hour and a half, kids enter in the "Money World" where they have to pass through 5 steps together with their allies and friends: Games, Interaction and Joy. 10,000 kids have participated to the workshops in 2019;
- From play to financial education – financial education program for kindergarten which consists of a kit (software and a book) who teaches kids aged 4 to 6 years basic notions of financial education. 30,000 kids received this kit free of charge due to BCR sponsoring;
- The School of Well Raised Money - The book The School of Well-Raised Money, published in 2019 at Universe Publishing House, is a creative guide to financial education for children. At the School of the Well-Raised Money, the rabbits Muşu and Nuşu, the squirrels Chichi, Richi and Michi, the hedgehog Bobita, the owls Bibina and Georgina teach children aged 7 to 14 how to deal with others and money, how to make a personal budget, but especially how to learn to be good and thoughtful. The book reached 5,000 children who received it free of charge while participating in the events and workshops organized by BCR together with the writer Cristina Andone, the School of Well Raised Money being one of the best-selling children's books at Universe Publishing House in 2019, although it was only launched in the second half of 2019.

BCR supports and promotes role models and leaders by creating a positive and inspirational framework that contributes to the development of Romania by supporting young people with potentials, olympics who can become tomorrow's leaders.

"Hai la Olimpiada" is a strategic programme implemented in partnership with EMAG Foundation starting from national STEM Olympiads, international math Olympic team and "centres for performance". Organizing meetings in BCR branches to connect local community (business, mass-media, public institutions) to teachers and pupils from preparation centres for help them develop and become sustainable.

BCR joined "Hai la Olimpiada" program as sponsor in 2014. In this program, we implemented 52 preparation for performance centres in mathematics, physics and informatics, over 6,000 kids who are passionate about these subjects are being prepared by over 400 outstanding teachers.

BCR also focuses on civic leadership by supporting projects that help hundreds of NGO's annually and by empowering its employees to become active members of the community and to contribute to increasing people's level of trust in themselves and in the contribution that they can have in the society.

12. Social responsibility, diversity & development activities (*continued*)

"Bursa Binelui" is a crowd funding platform focusing on campaigns to encourage and teach NGOs to fundraise using the platform. All donations that are made on the platform go directly to the beneficiaries as BCR covers all transactions costs. "Bursa Binelui" connects NGOs which implement projects in the communities with people who want to support them. Donations on Bursa Binelui platform grow constantly, in 2019 the organization that have registered on the platform have collected over 150,000 euros and at present 770 of non-profit organizations have registered on the platform.

In addition to supporting education projects, BCR continues to implement youth projects, the Youth Capital being the most important of these. In 2019, a series of events and activities were organized in Iasi, the city that has the title of Youth Capital until May 2020. Also, the new city will be chosen which will hold this title starting May 2, 2020, and the winner was Constanta municipality.

12.2. BCR policy regarding the environment

Environmental protection and the responsible use of resources are endeavours integrated in the business strategies of environmentally conscious companies world-wide, and in Romania.

Banca Comercială Română SA:

- admits and accepts the fundamental importance of an integrated approach of the environmental and social factors, as well as of lasting development principles within its financing activity;
- pays adequate attention to its financing processes, securing before making the financing decision, the compliance of the respective projects with the minimal environmental protection, social protection and occupational safety standards applicable in Romania.

BCR does not finance activities which do not meet environmental requirements specified in the Romanian legislation, relevant international conventions and agreements to which Romania adhered expressly. Analysis of environmental issues is part of the lending process and is mandatory for every transaction.

Through Paperless initiative, BCR focuses on reducing the usage of paper in its daily activity. As a result, the paper consumption decreased by 19% in 2019 compared to 2018.

Additional measure to support the environment is the usage of recycled paper.

12.3. Diversity and professional development

Key statistics related to BCR's workforce:

- gender distribution: 75.18% women and 24.82% men;
- average age: 39.5 years;
- level of studies: 85.14% employees with higher education and 14.86% employees with secondary education.

Approximately 42% of the employees are part of a trade union.

Work relations between managers and employees are based on mutual professional respect and good cooperation.

12.4. Improvement and professional development

During 2019, there were 8.902 participations in various trainings and workshops organized according to the annual training plan of which 50% represents participation in technical training courses.

The total average number of training days was 4,09 days per employee of which in class 2,39 days/employee and 1,71 days/employee in e-learning format.

Employees from the BCR retail units benefited of specialized programs for development of technical skills and other skills necessary in their daily activity. Thus, they participated in courses focused more on customer service in light of the new MIFID regulations, as well as in courses designed to improve the client-bank relationship.

The e-learning platform, produced internally, is actively used for on-line education as well as for regular testing sessions, such as: prevention and combating money laundering, information security, market abuse, financial sanctions, transparency and consumer protection, health and safety at work (SSM), compliance, etc.

12. Social responsibility, diversity & development activities (*continued*)

In 2019, BCR started a process of continuous transformation in line with worldwide digitalisation trends and ever changing customer expectations and, for this purpose, a series of events and workshops were organized on relevant topics such as new ways of working, design thinking and agile methodologies.

The bank continued to focus on management education by providing managers with various courses on management & leadership skills so as to ensure they are prepared to contribute to overall achievement of strategic objectives.

12.5. Performance Management and Professional Development

The main purpose of Performance Management and Professional Development is to establish, monitor, measure, enhance targets achievement and facilitate the professional development of BCR Staff.

In BCR, the assessment of the staff professional activity is conducted periodically, evaluated by individual performance evaluation, by measuring the achievement rate of pre-set targets and by assessing the quality level of all staff rendered activities and compliance with the Internal Regulation provisions.

The Performance Management and Professional Development process is continuously supported through Emma PDS application, designed considering the transparency and flexibility needs of the company.

Staff performance evaluation is a key step in the Performance Management and Professional Development process. The feedback as well as the recommendations derived from it are a crucial source of information, both for the manager and the staff. Consequently, it is essential that the evaluation process should be conducted in a transparent way, according to the agreed internal rules and should convey the highest possible objectivity level.

Evaluation is also a process that is very closely linked to other HR tools such as: personal and professional development procedure and remuneration policy. Its results provide the manager a starting point in planning the development as well as in implementing personnel measures (change of position, salary adjustments, improvement action plans etc.).

12.6. Flexible benefits

From the desire to be more flexible, BCR explored creative and friendly solutions to strengthen the spirit of the community within our team.

In order for each of the employees to enjoy a better life, we implement the FLEXIWORK program!

FLEXIWORK is a package of facilities created according to the specific activity of each BCR employee, so that everyone can enjoy a more flexible work schedule!

The package contains:

- flexible program - arrival hours between 8 – 10;
- three free days paid per year for unforeseen events;
- Short Friday Late Monday;
- teleworking - through this facility, BCR employees have the opportunity to work outside the office 2 days per month.

12.7. Flexible benefits using Benefit Online platform

Through this platform, BCR employees can more easily choose the flexible benefits that suit them best.

12.8. Remuneration Policy

The Remuneration Policy seeks to reward the achievement of both corporate and individual goals by linking success in those areas to the Erste Group and BCR Group strategy among others.

Taking a balanced approach to achieve growth, improve productivity, and maintain a sound and effective risk management, all of which help to build a sustainable business with a strong focus on delivering increased shareholder value.

12. Social responsibility, diversity & development activities (*continued*)

The Remuneration Policy is revised annually, subject to the independent internal review, in order to be compliant with policies and procedures for remuneration adopted by the Supervisory Board, as well as for the alignment of the remuneration principles under the Erste Group's governance framework.

Fixed and variable components of total remuneration are properly balanced so that the remuneration structure does not favour the interests of the bank and/ or of the relevant persons to the detriment of the client's interests.

The fixed component will represent a sufficiently high proportion of total remuneration in order to allow the operation of a fully flexible variable remuneration policy, including the possibility to pay no variable remuneration.

Variable remuneration is linked to a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description, as part of the terms of employment. Variable remuneration is linked to sustainability and ensures that the payments made do not promote any incentive for excessive risk-taking or miss-selling of products.

12.9. Recruitment Policy

The Recruitment, Training and Human Resources Administration Policy sets the general framework, methodology, responsibilities, stages, information flow and necessary documents of the recruitment and selection process for all types of positions within BCR. The Policy also sets forth the base principles guiding the promotion to managerial positions and internal moves processes.

In order to fulfil the professional experience requirements, the candidates should have solid knowledge, both theoretical and practical, about the bank activity. The incumbents of managerial positions need to have the managerial experience required for both the organizational structure and job profile.

In order to ensure an efficient and constant recruitment and selection process, the following principles shall be taken into consideration:

- selection of the candidates that best match the job profile;
- equal opportunities for all candidates, both internal and external;
- all candidates will be treated equally and non-discriminatory;
- personal data and job application confidentiality is assured;
- promotion of BCR values;
- avoidance of conflict of interest, as outlined within internal documents and legal provisions in force.

The Recruitment, Training and Human Resources Administration Policy is annually revised in order to align internal processes for ensuring the recruitment adaptability to the company needs and the evolution of the labour market. The volume of recruitment activities must be adapted in order to ensure the stability and continuity of the activity, at the same time keeping a balance between external hiring and internal recruitments.

Moreover, in order to increase visibility of BCR's employer brand, we run specific activities of employer branding by using online platforms (e.g. LinkedIn), organizing programs for young graduates and students (Learn@BCR - Internship program, IT Academy, Risk Academy), as well as partnerships with Universities and student NGOs. As a results quality of applications have improved theit was better facilitated the access to specialists, both from banking and IT industry.

Programs and events organized for young graduates aim to promote career opportunities we have in the bank for young talent, considering the hiring needs for junior positions within different areas of activity.

Moreover, for a good integration to the organizational environment, we organize Induction for all new hires, as well as Onboarding and dedicated training programs customized to the specific activity they will perform in the Bank (e.g. Smart Start for new employees in Retail).

12.10. Organizational Climate – people surveys

In order to evaluate the organizational climate and the leadership at bank level, the Human Resources Division provides managers with several feedback instruments, each used once a year.

Thus, we run the Employee Engagement Survey, which measures the level of employee engagement as well as how the employees appreciate the organizational climate. For middle and top management, we use a leadership capabilities assessment questionnaire (LEAD) which gathers feedback from superior, team and internal cooperation partners. The cooperation at managerial level, is measured using another feedback instrument, called Net Promoter Score (NPS).

12. Social responsibility, diversity & development activities (*continued*)

All these climate and leadership surveys are run using a feedback platform. All data resulted by answering questions in the respective surveys and questionnaires are reinforced by open comments and contribute to drafting action plans to enhance the level of employee engagement and improve the leadership capabilities of our managers.

Subsequent events:

Late in 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organization. In the first few months of 2020, the virus had spread globally and its negative impact has gained momentum. Management considers that this outbreak to be a non-adjusting post balance sheet event. While this is still an evolving situation at the time of issuing these financial statements, to date there has been no discernible impact on the Group's operations, however the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

CEO's message regarding the activity of BCR Group in 2019:

"In 2019 we were determined to learn and adapt, aiming to support the real economy, promote financial education and bring prosperity to our customers. We have channelled our passion and efforts towards building digital processes to the core to the benefit of all our people and channels. I want to thank our colleagues for embracing the digital journey and our customers for being open to adopt our new solutions, with a faster and leaner banking experience. We will continue to innovate and simplify our way as it is our aspiration to make banking easy and pleasant to the benefit of the people we interact with."

Supervisory Board Chairman,

Manfred Wimmer

Banca Comercială Română S.A.
Societate administrată în sistem dualist

Calea Victoriei nr. 15,
Sector 3, Bucureşti, cod 030023

contact.center@bcr.ro
www.bcr.ro
InfoBCR: 0800.801.227, apelabil gratuit din orice reţea naţională; +4021.407.42.00 apelabil din străinătate la tarif normal

Înmatriculată la Registrul Comerţului: J40/90/1991
Înmatriculată la Registrul Bancar Nr. RB-PJR-40-008/18.02.1999
Cod Unic de Înregistrare: RO 361757

Înregistrată la Registrul de evidenţă a prelucrărilor de date cu caracter personal sub nr. 3776 şi 3772
Capital Social: 1.625.341.625,40 lei
SWIFT: RNCB RO BU

STATEMENT

According to the articles 30 and 31 of the Accounting Law no. 82/1991

The "Separate and Consolidated Financial Statements" as at December 31st, 2019 for the Group Banca Comercială Română (the Group) and for the bank individually (Bank) have been prepared in accordance with National Bank of Romania Order no. 27/2010 for the approval of the Accounting Regulations compliant to International Financial Reporting Standards, applicable to credit institutions, as subsequently amended and supplemented.

We, Sergiu Cristian Manea as Executive President and Elke Meier as Executive Vicepresident of Banca Comercială Română SA, undertake the responsibility for the preparation of the Separate and Consolidated Financial Statements as at 31.12.2019 and we confirm the following:

a) The accounting policies applied for the preparation of the separate and consolidated financial statements for the year ended 2019 are in accordance with accounting regulations applicable to credit institutions, correspondingly in accordance with the NBR's Order no. 27/2010;

b) The Annual Separate and Consolidated Financial Statements reflect a true and fair view of the financial position, financial performance and further information related to the activity of the Bank and the Group;

c) Banca Comercială Română SA prepared its Financial Statements and carry on their business on a going concern basis.

Executive President,
Sergiu Cristian Manea

Executive Vicepresident,
Elke Meier