

Banca Comercială Română S.A. Interim Condensed Financial Statements Consolidated and Separate

30 June 2020

Prepared in accordance with las 34 "Interim Financial Reporting" and unaudited



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Banca Comercială Română S.A. Company with two-tier management board

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InfoBCR: *2227 number available in the Vodafone, Orange, RCS RDS, Telekom networks;

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+4021.407.42.00, number available in any network in Romania or abroad

Registered with the Credit Institution Register: RB-PJR-40-008/18.02.1999 Share capital: 1,625,341,625.40

Trade Register Number: J40/90/1991 Taxpayer identification number: RO 361757

SWIFT: RNCB RO BU



STATEMENT

Regarding the Administrators Report for the first semester of 2020

In accordance with the provisions of ASF Regulation no. 5/2018 art. 223, with subsequent amendments, we, Sergiu Manea, as Executive President of Banca Comerciala Romana SA and Elke Meier, as Executive Vice-President of Banca Comerciala Romana SA, state that:

- a) To the best of our knowledge, the interim consolidated and separate financial statements drawn up in accordance with applicable financial reporting standards provide for a correct and accurate image of the assets, liabilities, statement of financial position and statement of comprehensive income of Banca Comerciala Romana SA and its subsidiaries included in the consolidation perimeter.
- b) The consolidated and separate report of the Supervisory Board reflects in a correct and accurate manner the information on Banca Comerciala Romana SA and its subsidiaries included in the consolidation perimeter.

Executive President,

Sergiu Manea

Executive Vice-President,

Elke Meier

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Consolidated and Separate As at 30 June 2020

Statement of profit or loss

	Notes	Gro	up	Bank			
in RON thousands		30.06.2020	30.06.2019	30.06.2020	30.06.2019		
Net interest income	10	1,187,833	1,110,156	1,125,579	1,058,954		
Interest income		1,381,234	1,317,489	1,335,714	1,273,090		
Other similar income		32,249	46,157	4,176	16,034		
Interest expense		(215,091)	(230,387)	(203,957)	(208,363)		
Other similar expense		(10,559)	(23,103)	(10,354)	(21,807)		
Net fee and commission income	11	316,235	368,873	296,557	354,128		
Fee and commission income		417,111	453,786	391,162	433,116		
Fee and commission expense		(100,876)	(84,913)	(94,605)	(78,988)		
Dividend income		3,312	2,359	3,274	15,784		
Net trading result	12	142,922	165,213	141,841	163,785		
Gain/(losses) from financial instruments measured at fair value through profit or loss		(25)	(2,285)	(25)	(2,285)		
Net result from equity method investments		(442)	(1,555)	-	_		
Rental income from investment properties & other operating leases		53,702	47,484	4,870	5,588		
Personnel expenses	13	(411,059)	(395,724)	(348,958)	(344,850)		
Other administrative expenses	13	(288,177)	(347,046)	(298,462)	(358,518)		
Depreciation and amortisation	13	(106,058)	(125,444)	(100,085)	(100,637)		
Gain/(losses) from derecognition of financial assets measured at amortised cost		-	(505)	-	(505)		
Other Gain/(losses) from derecognition of financial instruments not measured at fair value through profit or loss		-	(29,436)	-	(29,436)		
Net impairment loss on financial instruments	14	(169,935)	88,774	(157,077)	(189,906)		
Other operating result	15	(56,559)	(769,520)	(22,903)	(436,981)		
Pre-tax result from continuing operations		671,749	111,344	644,611	135,121		
Taxes on income	16	(172,870)	(132,187)	(166,243)	(123,771)		
Net result for the period		498,879	(20,843)	478,368	11,350		
Net result attributable to non-controlling interests		2	6	-	-		
Net result attributable to owners of the parent		498,877	(20,849)	478,368	11,350		

Statement of other comprehensive income

	Gro	oup	Bar	nk
in RON thousands	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Net result for the period	498,879	(20,843)	478,368	11,350
Other comprehensive income				
Items that may not be reclassified to profit or loss				
Other equity instruments	-	13,457	-	13,457
Deferred taxes relating to items that may not be reclassified	-	(2,153)	-	(2,153)
Total items that cannot be reclassified to profit or loss	-	11,304	-	11,304
Items that may be reclassified to profit or loss				
Debt instruments at fair value through other comprehensive income	546	17,114	(1,378)	16,604
Currency translation	454	(4,443)	-	-
Deferred taxes relating to items that may be reclassified	(10)	(3,259)	221	(3,012)
Total items that may be reclassified to profit or loss	990	9,412	(1,157)	13,592
Total other comprehensive income	990	20,716	(1,157)	24,896
Total comprehensive income	499,869	(127)	477,211	36,246
Total comprehensive income attributable to non-controlling interests	2	6	-	-
Total comprehensive income attributable to owners of the parent	499,867	(133)	477,211	36,246

The interim condensed separate and consolidated financial statements were approved by the Executive Committee on 07 August 2020.

AUTHORISED PERSON

Name and first name
Signature
Executive Vice-President

AUTHORISED PERSON
Name and first name
Signature
Executive Director Accounting Division

Elke Meier Gina Badea

1

Statement of financial position

		Group		Bank	
in RON thousands	Notes	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Assets					
Cash and cash balances	3	10,572,625	9,006,518	10,087,198	8,724,971
Financial assets held for trading		567,507	429,356	567,507	429,356
Derivatives		63,619	40,100	63,619	40,100
Other financial assets held for trading		503,888	389,256	503,888	389,256
Non-trading financial assets at fair value through profit or loss		90,319	93,872	90,066	93,620
Equity instruments		36,794	40,388	36,541	40,136
Debt securities		51,745	49,922	51,745	49,922
Loans and advances to customers		1,780	3,562	1,780	3,562
Financial assets at fair value through other comprehensive income	4	6,155,400	6,117,844	6,110,438	6,115,902
Debt securities		6,155,400	6,117,844	6,110,438	6,115,902
thereof pledged as collateral		-	56,341	-	56,341
Financial assets at amortised cost	5	54,217,407	54,899,081	53,129,957	53,019,313
Debt securities		14,920,580	15,735,188	14,087,718	14,422,788
thereof pledged as collateral		512,553	739,503	1,859,251	2,087,276
Loans and advances to banks		438,730	661,437	434,212	661,086
Loans and advances to customers		38,858,097	38,502,456	38,608,027	37,935,439
Finance lease receivables		1,197,003	1,117,933	9,815	3,399
Property and equipment		987,193	937,267	885,918	837,505
Investment property		145,564	161,181	145,564	161,181
Intangible assets		347,742	359,085	338,833	348,582
Investments in joint ventures and associates		28,646	24,553	21,570	17,035
Current tax assets		206,831	238,752	204,436	235,928
Deferred tax assets		163,258	183,857	154,800	172,780
Assets held for sale		668,794	646,396	204,134	210,704
Trade and other receivables		475,242	425,060	461,108	408,778
Investments in subsidiaries		-	-	488,077	488,077
Other assets		385,231	297,604	246,677	173,821
Total assets		76,208,762	74,938,359	73,146,098	71,440,952

	Group		Ban	k
in RON thousands	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Liabilities and Equity				
Financial liabilities held for trading	51,002	73,498	51,002	73,498
Derivatives	51,002	73,498	51,002	73,498
Financial liabilities measured at amortised cost	64,418,315	63,678,655	62,566,432	61,395,958
Deposits from banks 6	3,364,857	4,439,160	3,400,778	4,174,183
Deposits from customers 7	59,555,854	57,791,780	57,681,269	55,775,424
Debt securities in issue 8	660,411	784,402	660,411	784,402
Other financial liabilities	837,193	663,313	823,974	661,949
Finance lease liabilities	398,154	327,050	395,000	323,721
Provisions 9	1,752,014	1,779,611	1,017,461	1,049,481
Current tax liabilities	1,157	2,882	-	-
Deferred tax liabilities	9,625	8,303	-	-
Liabilities associated with assets held for sale	218,185	244,193	-	-
Other liabilities	388,732	352,457	333,938	293,240
Total equity	8,971,578	8,471,710	8,782,265	8,305,054
Share capital	2,952,565	2,952,565	2,952,565	2,952,565
Retained earnings	4,314,623	3,882,594	4,118,098	3,706,526
Other reserves	1,704,390	1,636,551	1,711,602	1,645,963
attributable to non-controlling interest	54	52	-	-
attributable to owners of the parent	8,971,524	8,471,658	-	-
Total liabilities and equity	76,208,762	74,938,359	73,146,098	71,440,952

The interim condensed separate and consolidated financial statements were approved by the Executive Committee on 07 August 2020.

AUTHORISED PERSON Name and first name Signature AUTHORISED PERSON Name and first name Signature

Executive Vice-President

Executive Director Accounting Division

Elke Meier

Gina Badea



Statement of changes in equity

										30.06.2020	Group
in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserves	Fair value reserve	Currency translation reserve	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 01.01.2020	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
Transfers from RE to other reserves	-	-	(66,796)	66,796	-	-	-	-	-	-	-
Total comprehensive income	-	-	498,877	-	545	454	-	(10)	499,866	2	499,868
Net result for the period	-	-	498,877	-	-	-	-	-	498,877	2	498,879
Other comprehensive income	-	-	-	-	545	454	-	(10)	989	-	989
Total equity as of 30.06.2020	2,952,565	395,483	4,314,623	1,197,466	62,522	(8,965)	80,655	(22,825)	8,971,524	54	8,971,578

										30.06.2019	Group
in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserves	Fair value reserve	Currency translation reserve	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 01.01.2019	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 paid	-	-	(485,096)	-	-	-	-	-	(485,096)	-	(485,096)
Changes in scope of consolidation and ownership interest	=	-	(4,714)	-	-	-	-	-	(4,714)	-	(4,714)
Total comprehensive income	-	-	(20,843)	-	30,571	(4,443)	-	(5,412)	(127)	6	(121)
Net result for the period	-	-	(20,843)	_	-	-	-	-	(20,843)	-	(20,843)
Other comprehensive income	-	-	-	-	30,571	(4,443)	-	(5,412)	20,716	6	20,722
Total equity as of 30.06.2019	2,952,565	395,483	3,255,783	1,130,670	108,030	(18,175)	82,825	(30,450)	7,876,731	52	7,876,783

Changes in scope of consolidation and ownership interest refer to acquisition of 49% of Goodbee Credit IFN at 1st of March, 2019.



Statement of changes in equity (continued)

										30.06.2020	Bank
in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserves	Fair value reserve	Currency translation reserve	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 01.01.2020	2,952,565	395,483	3,706,526	1,130,670	61,881		- 80,749	(22,820)	8,305,054	-	8,305,054
Transfers from RE to other reserves			(66,796)	66,796							
Total comprehensive income	-	-	478,368	-	(1,378)			221	477,211	-	477,211
Net result for the period	-	-	478,368	-	-			-	478,368	-	478,368
Other comprehensive income	-	-			(1,378)			-	(1,378)	-	(1,378)
Total equity as of 30.06.2020	2,952,565	395,483	4,118,098	1,197,466	60,503		- 80,749	(22,599)	8,782,265	-	8,782,265

											30.06.2019	Bank
in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserves	Fair value reserve	Currency translation reserve	A	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 01.01.2019	2,952,565	395,483	3,525,615	1,130,670	75,909		-	82,883	(25,050)	8,138,075	-	8,138,075
Dividends paid	-	-	(485,096)	-	-		-	-	-	(485,096)	-	(485,096)
Total comprehensive income	-	-	11,350	-	30,061		-	-	(5,165)	36,245	-	36,245
Net result for the period			11,350	-	-		-	-	-	11,350	-	11,350
Other comprehensive income	-	-		-	30,061		-	-	(5,165)	24,895	-	24,895
Total equity as of 30.06.2019	2,952,565	395,483	3,051,869	1,130,670	105,970		-	82,883	(30,215)	7,689,224	-	7,689,224



Statement of cash flows

	Group		Bank			
in RON thousands	30.06.2020	30.06.2019	30.06.2020	30.06.2019		
Net result for the period	498,879	(20,843)	478,368	11,350		
Non-cash adjustments for items in net profit/(loss) for the year						
Depreciation, amortisation of assets	106,058	125,444	100,085	100,637		
Allocation to and release of impairment of loans	371,009	38,758	353,660	304,938		
Gains/(losses) from the sale of tangible and intangible assets	5,378	20,602	2,888	18,105		
Other provisions	-	601,350	-	280,071		
Impairment tangible and intangible assets	-	13,220	-	-		
Interest income reiceived from investing activities	(339,919)	(332,240)	(324,081)	(309,479)		
Interest expense paid for financing activities	56,203	(29,682)	61,546	(29,682)		
Dividend income from investing activities	-	-	-	(13,464)		
Other adjustments	(47,754)	(63,501)	(33,305)	(68,869)		
Changes in assets and liabilities from operating activities after adjustment for non-cash						
components						
Financial assets - held for trading	(114,632)	81,743	(114,632)	81,743		
Financial assets at fair value through other comprehensive income	(37,067)	(205,466)	925	(195,037)		
Financial assets at amortised cost				, , ,		
Loans and advances to banks	222,707	(145,268)	226,874	(169,470)		
Loans and advances to customers	(855,902)	(1,430,879)	(1,084,996)	(1,310,610)		
Other assets from operating activities	(60.807)	(68.855)	(72.853)	(36.947)		
Deposits from banks	(713,920)	(264,192)	(669,428)	(93,586)		
Deposits from customers	1,764,075	328.385	1.905.845	557.181		
Other financial liabilities	244,984	260,076	233,304	275,382		
Other liabilities from operating activities	(20.517)	72.531	8.681	55.060		
Cash flow from operating activities	1,078,774	(1,018,819)	1,072,880	(542,678)		
Proceeds of disposal	1,010,114	(1,010,010)	1,012,000	(042,010)		
Financial assets at fair value through other comprehensive income	-	(727)		(727)		
Property and equipment, intangible assets and investment properties	39,016	49.758	31,902	49,757		
Acquisition of	00,010	40,700	01,002	40,101		
Debt securities at amortised cost	817,538	582,939	320,901	223,629		
Property and equipment, intangible assets and investment properties	(195,816)	(177.990)	(155.034)	(66,538)		
Contribution to increase in share capital of subsidiaries	(4,535)	-	(4,535)	(00,000)		
Interest received from investing activities	339.897	332.223	324.081	309.479		
Dividends received from investing activities	-	-	-	13.464		
Cash flow from investing activities	996.100	786.203	517.315	529,065		
Dividends paid to equity holders of the parent	-	(484.630)	-	(484,630)		
Dividends paid to non-controlling interests	_	(466)	-	(466)		
Debt securities issued	(141,488)	(91,061)	(141,488)	(91,061)		
Inflows from other financing activities	(111,100)	364,106	(111,100)	(01,001)		
Outflows from other financing activities	(329,685)	(285.525)	(57.635)	(56,917)		
Interest expense paid for financing activities	(37,594)	(46,647)	(28,845)	(37,140)		
Other financing activities	(13,413)	(23,033)	(4,664)	(13,526)		
Subordinated loans	(24,181)	(23,614)	(24,181)	(23,614)		
Cash flow from financing activities	(508,767)	(544,223)	(227,968)	(670,214)		
Cash and cash equivalents at beginning of period	9.006.518	11.123.191	8.724.971	10.862.852		
Cash flow from operating activities	1,078,774	(1,018,819)	1,072,880	(542,678)		
Cash flow from investing activities	996.100	786.203	517.315	529.065		
Cash flow from financing activities	(508,767)	(544.223)	(227.968)	(670,214)		
Cash and cash equivalents at end of period	10,572,625	10,346,352	10,087,198	10,179,024		
Cash and Cash equivalents at end of period	10,572,625	10,340,352	10,007,196	10,179,0		



1. Bank and Group information

Banca Comerciala Romana S.A, (hereinafter called the "Bank") was established on 1 December 1990. The Bank is a Romanian legal entity and is licensed by the National Bank of Romania ("NBR") to conduct banking activities with both retail and corporate customers. The main services provided to customers include: loans, deposits, domestic and international payments, foreign exchange transactions, bank guarantees, letters of credit, etc.

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 June 2020, Erste Bank purchased further 38.0013% from employees and other shareholders of the Bank, adding up to 99,8813%. Erste Bank der oesterreichschen Sparkassen AG ("Erste bank") is owned 100% by Erste Group Bank AG. The ultimate parent of the Group is Erste Group Bank AG.

At 30 June 2020, the Bank's shareholders were the following:

	30.06.2020		31.12.2019	
in RON thousands	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Erste Group Bank AG	16,234,122,035	99.8813%	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	109	0.0000%	109	0.0000%
Individuals	19,053,607	0.1172%	19,652,200	0.1209%
Total	16,253,416,254	100.0000%	16,253,416,254	100.0000%

The current registered office is located in Bucharest, Romania, No.159, Calea Plevnei, Business Garden Bucharest, cladirea A.

The Bank operates through the Head Office located in Bucharest and through its territorial units, as follows:

- **Retail** grouped into 12 geographical locations, including 429 branches;
- Corporate grouped into 10 geographical areas, including 19 Commercial Centres and Area Centres, 16 Mobile Teams and International Clients Department that support small and mediumsized customers (SMEs).

The Bank has the following subsidiaries as at 30 June 2020 and 31 December 2019:

Company's name	Country of	Nature of the business	Share	holding	Gross Book	Net Book Value	Impaiment	
Company's name	incorporation	Nature of the business	30.06.2020	31.12.2019	Value	Net Book value	impaiment	
BCR Chisinau SA	Moldova	Banking	100.00%	100.00%	200,064	46,438	153,626	
BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,492	279,934	109,558	
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	159,805	110,015	
BCR Banca pentru Locuinte SA	Romania	Housing loans	99.99%	99.99%	781,078	-	781,078	
Suport Colect SRL	Romania	Workout	99.99%	99.99%	983,047	-	983,047	
CIT One SRL	Romania	Cash processing and storing	100.00%	100.00%	13,308	11,900	1,408	
BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%	1,900	1,900	-	
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 SRL was reclassified as asset held for sale during 2019.



2. Basis of Preparation and Presentation of the financial statements

a) Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 – *Interim Financial Reporting*.

These financial statements do not include all of the information required for full annual financial statements and should be read in conjuction with the consolidated and separate financial statements as at and for the year ended 31 December 2019.

b) Functional and presentation currency

The functional currency of the financial statements is the Romanian leu ("RON"). All figures are shown in RON thousands, rounded to the nearest RON thousands.

The exchange rates of major foreign currencies, published by National Bank of Romania, were:

Currencies		30.06.2020	31.12.2019	Change
Euro (EUR)	1 : RON	4.8423	1 : RON 4.7793	1.32%
US Dollar (USD)	1 : RON	4.3233	1 : RON 4.2608	1.47%

c) Significant accounting policies

The individual and consolidated financial statements have been prepared on a going concern basis.

The accounting policies applied by the Bank and the Group in these interim condensed financial statements are the same as those applied in the annual consolidated financial statements as at 31 December 2019, except for the following:

Accounting policy related to financial guarantees

During June 2020, BCR reclassified the guarantees that do not meet the definition of credit substitutes from financial guarantees to other commitments. This reclassification was made in accordance with Group Accounting Policies which state that, based on Regulation (EU) No 575/2013 (CRR), guarantees that do not meet the definition of credit substitute should be classified as "Other commitments". The main difference between guarantees that meet the definition of credit substitutes and as such should be considered as financial guarantees and other guarantees that cannot be considered as credit substitutes and should be treated as other commitments was established in the level of risk they bare. The accounting policy of Erste Group considers, based on provisions in Annex I paragraph (1) of the CRR, that guarantees that can be treated as credit substitutes carry the "full risk", which means that these off-balance items carry essentially the same credit risk as a drawn credit facility, having the CCF of 100%. On the other hand, guarantees not having the character of a credit substitute bear lower to medium risk, reflected in the applicable CCF of 0 to 50%.

The financial impact is presented in Note 9 – Provisions and Note 14 – Net impairment loss of financial instruments.

Change in accounting estimatios for useful lives of tangible and intangible assets

In the first half of the year 2020 the Bank performed a review of the useful lives of the bank's tangible assets and software applications by taking into consideration the strategy of the bank in respect of their potential replacement or use in the future business activities.



2. Basis of Preparation and Presentation of the financial statements (continued)

According to IAS 8 "Accounting policies, changes in accounting estimates and errors", the useful life of a depreciable asset is considered an accounting estimation and the change in an accounting estimate shall be recognized prospectively by including it in the profit or loss of the period of change, if the change affects only that period, or in the period of change and future periods, if the change affects them.

The financial impact is described in Note 13 – General administrative expenses.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

d) Use of estimates and judgements

The preparation of these interim condensed separate and consolidated financial statements requires judgements, estimates and assumptions by Management and together with the application of accounting policies determines the amounts of assets and liablities, income and expenses.

In preparing the interim condensed separate and consolidated financial statements the significant judgements made by management in appying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the separate and consolidated financial statements for the year ended 31.12.2019.

3. Cash and cash balances

	Gro	oup	Bank		
in RON thousands	30.06.2020	31.12.2019	30.06.2020	31.12.2019	
Cash on hand	3,703,688	4,358,613	3,673,667	4,330,409	
Cash balances at central banks	5,572,794	4,170,837	5,427,379	3,998,156	
Other demand deposits to credit institutions	1,296,143	477,068	986,152	396,406	
Cash and cash balances	10,572,625	9,006,518	10,087,198	8,724,971	

Mandatory reserve rates at 30 June 2020 were for RON 8% (December 2019: 8%) and for foreign currencies 6% (December 2019: 8%).



4. Financial assets at fair value through other comprehensive income

									30.06.2020	Group
in RON thousands		Gross carrying	g amount		Credit loss allowances othe c				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	6,096,069	5,207		- 6,101,276	(7,693)	(706)	-	(8,399)	54,124	6,155,400
Central banks	29,872	-		- 29,872	(1,334)	-	-	(1,334)	-	29,872
General governments	6,066,197	-		- 6,066,197	(6,359)	-	-	(6,359)	54,327	6,120,524
Non-financial corporations	-	5,207		- 5,207	-	(706)	-	(706)	(203)	5,004
Total	6,096,069	5,207		- 6,101,276	(7,693)	(706)	-	(8,399)	54,124	6,155,400

Allowances for financial ass	sets at fair value throug	h other compre	hensive income					30.06.2020	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	(2,670)	(2,993)	818	(2,825)	-	-	-	(23)	(7,693)
Central banks	-	(1,325)	-	-	-	-	-	(9)	(1,334)
General governments	(2,670)	(1,668)	818	(2,825)	-	-	-	(14)	(6,359)
Stage 2	(649)	-	-	(57)	-	-	-	-	(706)
Non-financial corporations	(649)	-	-	(57)	-	-	-	-	(706)
Total	(3,319)	(2,993)	818	(2,882)	-	-	-	(23)	(8,399)



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

									31.12.2019	Group
in RON thousands		Gross carryin	g amount			Credit loss allo	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

acquisition credit risk and Stages 2/3 without account due to									Group
in RON thousands	Opening balance	origination and		to change in	between Stage 1	modifications		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 allowances for debt securities	(3,789)	(3,270)	698	3,675	(595)	-	-	(38)	(3,319)



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

									30.06.2020	Bank
in RON thousands		Gross carryin	g amount			Credit loss al		Accumulated other fair value changes	Carrying amount	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	6,051,120	5,207	-	6,056,327	(5,686)	(706)	-	(6,392)	54,111	6,110,438
General governments	6,051,120	-	-	6,051,120	(5,686)	-	-	(5,686)	54,314	6,105,434
Non-financial corporations	-	5,207	-	5,207	-	(706)	-	(706)	(203)	5,004
Total	6,051,120	5,207	-	6,056,327	(5,686)	(706)	-	(6,392)	54,111	6,110,438

llowances for financial assets at fair value through other comprehensive income									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	(2,583)	(1,027)	818	(2,884)		-	-	(10)	(5,686)
General governments	(2,583)	(1,027)	818	(2,884)	-	-	-	· (10)	(5,686)
Stage 2	(649)	-	-	(57)		-	-	-	(706)
Non-financial corporations	(649)	-	-	(57)	-	-	-	-	(706)
Total	(3,232)	(1,027)	818	(2,941)		-	-	(10)	(6,392)



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

									31.12.2019	Bank
in RON thousands			Credit loss all		Accumulated other fair value Carrying amount changes					
	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

Allowances for financial assets at fa	air value through othe	r comprehens	ive 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 allowances for debt securities	(2,223)	(1,032)	698	(60)	(595)	-	-	(20)	(3,232)



5. Financial assets at amortised cost

										30.06.2020	Group
in RON thousands		Gross carrying amount					Credit loss al	owances			Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	14,921,380	15,457	1,894	-	14,938,731	(17,433)	(150)	(568)	-	(18,151)	14,920,580
Central banks		-	-	-	-	-	-	-	-	-	-
General governments	14,870,571	15,457	1,894	-	14,887,922	(17,429)	(150)	(568)	-	(18,147)	14,869,775
Credit institutions	50,809	-	-	-	50,809	(4)	-	-	-	(4)	50,805
Loans and advances to banks	391,693	48,757	-	-	440,450	(1,105)	(615)		-	(1,720)	438,730
Central banks	2,258	-	-	-	2,258	-	-	-	-	-	2,258
Credit institutions	389,435	48,757	-	-	438,192	(1,105)	(615)	-	-	(1,720)	436,472
Loans and advances to customers	31,804,930	7,195,039	1,676,347	335,130	41,011,446	(164,906)	(683,905)	(1,202,714)	(101,824)	(2,153,349)	38,858,097
General governments	2,653,176	468,231	11,088	17,418	3,149,913	(3,441)	(7,933)	(8,976)	(4,523)	(24,873)	3,125,040
Other financial corporations	241,530	138	11,724	-	253,392	(1,407)	(51)	(9,155)	-	(10,613)	242,779
Non-financial corporations	8,700,471	3,128,204	747,871	58,304	12,634,850	(86,305)	(273,727)	(499,569)	(13,332)	(872,933)	11,761,917
Households	20,209,753	3,598,466	905,664	259,408	24,973,291	(73,753)	(402,194)	(685,014)	(83,969)	(1,244,930)	23,728,361
Total	47,118,003	7,259,253	1,678,241	335,130	56,390,627	(183,444)	(684,670)	(1,203,282)	(101,824)	(2,173,220)	54,217,407

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

								30.06.2020	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	(11,698)	(4,279)	4,626	(6,845)	796			(33)	(17,433)
Central banks	(2,767)	-	2,767	-	-	-	-	-	-
General governments	(8,927)	(4,279)	1,859	(6,845)	796	-	-	(33)	(17,429)
Credit institutions	(4)	-	-	-	-	-	-	-	(4)
Stage 2	(1,074)	-	-	924	-	-	-	-	(150)
General governments	(1,074)	-	-	924	-	-	-	-	(150)
Stage 3	(609)	-		41	-	-	-	-	(568)
General governments	(609)	-	-	41	-	-	-	-	(568)
Total	(13,381)	(4,279)	4,626	(5,880)	796			(33)	(18,151)



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

								30.06.2020	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
Loans and advances to banks									
Stage 1	(710)	(2,362)	1,027	938	-	-	-	2	(1,105)
Central banks	-	-	-	-	-	-	-	-	-
Credit institutions	(710)	(2,362)	1,027	938	_	-	-	2	(1,105)
Stage 2	(12)	-	27	(10)	(619)	-	-	(1)	(615)
Credit institutions	(12)	-	27	(10)	(619)	-	-	(1)	(615)
Total	(722)	(2,362)	1,054	928	(619)	-	-	1	(1,720)

30.06.2020

Group

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

								00.00.2020	Oroup
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 customers									
Stage 1	(159,624)	(38,112)	22,356	(118,653)	130,657	(64)	30	(1,496)	(164,906)
General governments	(2,978)	(9,091)	8,761	(2,643)	2,516	(1)	-	(5)	(3,441)
Other financial corporations	(822)	(7)	-	(607)	31	-	-	(2)	(1,407)
Non-financial corporations	(105,635)	(18,114)	11,749	6,097	20,432	(17)	-	(817)	(86,305)
Households	(50,189)	(10,900)	1,846	(121,500)	107,678	(46)	30	(672)	(73,753)
Stage 2	(573,869)	(7,759)	28,995	300,983	(423,751)	(5,097)	12	(3,419)	(683,905)
General governments	(10,076)	-	370	2,641	(834)	-	-	(34)	(7,933)
Other financial corporations	(91)			46	(6)			-	(51)
Non-financial corporations	(286,301)	(7,278)	21,673	101,614	(100,312)	(773)	-	(2,350)	(273,727)
Households	(277,401)	(481)	6,952	196,682	(322,599)	(4,324)	12	(1,035)	(402,194)
Stage 3	(998,286)	(1,032)	80,445	(258,871)	(54,886)	(936)	36,656	(5,804)	(1,202,714)
General governments	(9,007)	-	-	31	-	-	-	-	(8,976)
Other financial corporations	(9,204)	-	-	169	-	-	-	(120)	(9,155)
Non-financial corporations	(337,126)	(536)	55,033	(212,042)	(17,295)	(583)	14,246	(1,266)	(499,569)
Households	(642,949)	(496)	25,412	(47,029)	(37,591)	(353)	22,410	(4,418)	(685,014)
POCI	(134,102)		24,217	6,121	-	(354)	3,901	(1,607)	(101,824)
General governments	(5,389)	-	-	925	-	-	-	(59)	(4,523)
Non-financial corporations	(32,583)	-	20,812		-	(161)	29	(575)	(13,332)
Households	(96,130)	-	3,405	6,050	-	(193)	3,872	(973)	(83,969)
Total	(1.865.881)	(46.903)	156.013	(70.420)	(347.980)	(6.451)	40.599	(12.326)	(2.153.349)



										31.12.2019	Group
		Gros	ss carrying amount			Credit loss allowances					Carrying amount
in RON thousands	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
Loans and advances to banks	2,199,933		-	-	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	50,456,400	6,085,821	1,316,979	457,639	56,779,065	(172,032)	(574,955)	(998,895)	(134,102)	(1,879,984)	54,899,081

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 allowances for debt securities	(12,214)	(8,629)	995	6,943	(282)	-	-	(194)	(13,381)



The movements in allowances for financial assets at amortised cost – **loans and advances to banks** 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
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 allowances for loans and advances to banks	(283)	(3,288)	2,860	(274)	-	319	-	(56)	(722)

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	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 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 allowances for loans and advances to customers	(2,071,079)	(84,414)	398,146	315,420	(652,680)	(17,302)	274,886	(28,858)	(1,865,881)



										30.06.2020	Bank
in RON thousands		Gros	s carrying amour	it			Credit loss a	Total	Carrying amount		
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	14,084,667	15,325	1.894		14,101,886	(13,456)	(144)	(568)		(14,168)	14,087,718
General governments	14,033,859	15,325	1,894	-	14,051,078	(13,452)	(144)	(568)	-	(14,164)	14,036,914
Credit institutions	50,808	-	-	-	50,808	(4)	-	-	-	(4)	50,804
Loans and advances to banks	386,390	49,666	66,650	-	502,706	(1,105)	(739)	(66,650)	-	(68,494)	434,212
Central banks	2,258	-	-	-	2,258	-	-	-	-	-	2,258
Credit institutions	384,132	49,666	66,650	-	500,448	(1,105)	(739)	(66,650)	-	(68,494)	431,954
Loans and advances to customers	31,594,177	7,161,251	1,589,959	335,088	40,680,475	(150,459)	(681,159)	(1,139,006)	(101,824)	(2,072,448)	38,608,027
General governments	2,653,176	468,231	11,088	17,418	3,149,913	(3,441)	(7,933)	(8,976)	(4,523)	(24,873)	3,125,040
Other financial corporations	1,042,515	138	11,724	-	1,054,377	(2,546)	(51)	(9,155)	-	(11,752)	1,042,625
Non-financial corporations	7,894,517	3,096,934	707,468	58,304	11,757,223	(71,831)	(271,212)	(479,762)	(13,332)	(836,137)	10,921,086
Households	20,003,969	3,595,948	859,679	259,366	24,718,962	(72,641)	(401,963)	(641,113)	(83,969)	(1,199,686)	23,519,276
Total	46,065,234	7,226,242	1,658,503	335,088	55,285,067	(165,020)	(682,042)	(1,206,224)	(101,824)	(2,155,110)	53,129,957

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

					p. 00000 iio.			30.06.2020	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	(6,210)	(1,862)	1,859	(8,021)	796	-	-	(18)	(13,456)
General governments	(6,207)	(1,862)	1,859	(8,020)	796	-	-	(18)	(13,452)
Credit institutions	(3)	-	-	(1)	-	-	-	-	(4)
Stage 2	(1,067)	-	-	923	-	-	-	-	(144)
General governments	(1,067)	-	-	923	-	-	-	-	(144)
Stage 3	(609)	-	-	41	-	-	-	-	(568)
General governments	(609)	-	-	41	-	-	-	-	(568)
Total	(7,886)	(1,862)	1,859	(7,057)	796	-	-	(18)	(14,168)



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

								30.06.2020	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	(774)	(2,362)	1,093	936	-	-	-	2	(1,105)
Credit institutions	(774)	(2,362)	1,093	936	-	-	-	2	(1,105)
Stage 2	(89)	-	42	(71)	(619)	-	-	(2)	(739)
Credit institutions	(89)	-	42	(71)	(619)	-	-	(2)	(739)
Stage 3	(66,647)	(12,590)	12,590	(3)	-	-	-	-	(66,650)
Credit institutions	(66,647)	(12,590)	12,590	(3)	-	-	-	-	(66,650)
Total	(67,510)	(14,952)	13,725	862	(619)	-	-	-	(68,494)

30.06.2020

Bank

The movements in allowances for financial assets at amortised cost – loans and advances to customers 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 (+/-)	Closing balance
Loans and advances to customers									
Stage 1	(146,822)	(35,673)	22,297	(118,705)	129,826	(157)	30	(1,255)	(150,459)
General governments	(2,978)	(9,091)	8,761	(2,643)	2,516	(1)	-	(5)	(3,441)
Other financial corporations	(1,545)	(138)		(882)	31		-	(12)	(2,546)
Non-financial corporations	(92,947)	(15,603)	11,741	5,952	19,672	(17)	-	(629)	(71,831)
Households	(49,352)	(10,841)	1,795	(121,132)	107,607	(139)	30	(609)	(72,641)
Stage 2	(571,654)	(7,759)	28,982	301,694	(423,676)	(5,098)	12	(3,660)	(681,159)
General governments	(10,076)	-	370	2,641	(834)	-	-	(34)	(7,933)
Other financial corporations	(91)	-	_	46	(6)	-	-	_	(51)
Non-financial corporations	(284,446)	(7,278)	21,670	102,432	(100,303)	(773)	-	(2,514)	(271,212)
Households	(277,041)	(481)	6,942	196,575	(322,533)	(4,325)	12	(1,112)	(401,963)
Stage 3	(937,262)	(1,032)	80,277	(258,110)	(48,977)	(954)	32,745	(5,693)	(1,139,006)
General governments	(9,007)	-	_	31	-	-	-	_	(8,976)
Other financial corporations	(9,203)	-	-	168	-	-	-	(120)	(9,155)
Non-financial corporations	(321,301)	(536)	55,027	(210,668)	(12,069)	(583)	11,543	(1,175)	(479,762)
Households	(597,751)	(496)	25,250	(47,641)	(36,908)	(371)	21,202	(4,398)	(641,113)
POCI	(134,102)	-	24,217	6,121	-	(354)	3,901	(1,607)	(101,824)
General governments	(5,389)	-	-	925	-	-	-	(59)	(4,523)
Other financial corporations	-	-	-	-	-	-	-	-	-
Non-financial corporations	(32,583)	-	20,812	(854)	-	(161)	29	(575)	(13,332)
Households	(96,130)	-	3,405	6,050	_	(193)	3,872	(973)	(83,969)
Total	(1,789,840)	(44,464)	155,773	(69,000)	(342,827)	(6,563)	36,688	(12,215)	(2,072,448)



										31.12.2019	Bank
		Gros	s carrying amour	nt		Credit loss allowances					Carrying amount
in RON thousands	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	2,404,910	-	-	-	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	48,777,738	6,085,596	1,239,890	457,639	54,884,549	(153,806)	(572,810)	(1,004,518)	(134,102)	(1,865,236)	53,019,313

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

								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	(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 allowances for debt securities	(8,908)	(1,492)	995	1,831	(282)	-	-	(30)	(7,886)



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

								31.12.2019	Вапк
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	(1,598)	(3,284)	2,768	1,354	_	-	_	(14)	(774)
Central banks	_	-	-	-	-	-	-	-	_
Credit institutions	(1,598)	(3,284)	2,768	1,354	_	_	_	(14)	(774)
Stage 2	(1,365)	(4)	92	1,230	_	-	-	(42)	(89)
Central banks		-	_		_	_	_	<u> </u>	-
Credit institutions	(1,365)	(4)	92	1,230	_	_	_	(42)	(89)
Stage 3	-	(86,498)	271,946	(185,406)	(66,689)	_	_	<u> </u>	(66,647)
Central banks	_	_	_	_	_	_	_	-	_
Credit institutions	_	(86,498)	271,946	(185,406)	(66,689)	_	_	_	(66,647)
Total allowances for loans and	(0.000)	(00 700)	674.000	(400,000)	(00.000)			(50)	
advances to banks	(2,963)	(89,786)	274,806	(182,822)	(66,689)	-	-	(56)	(67,510)

31.12.2019

The movements in allowances for financial assets at amortised cost – loans and advances to customers 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 (+/-)	Closing balance
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 allowances for loans and advances to customers	(1,980,860)	(77,904)	397,793	300,191	(646,288)	(17,353)	262,802	(28,221)	(1,789,840)

6. Deposits from banks

	Gro	oup	Ва	nk
in RON thousands	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Current accounts / overnight deposits	256,092	408,477	283,920	352,711
Term deposits from other banks	2,027,177	2,767,546	747,256	1,295,611
Repurchase agreements	-	195,824	1,288,014	1,458,548
Deposits from banks	2,283,269	3,371,847	2,319,190	3,106,870
Subordinated loans	1,081,588	1,067,313	1,081,588	1,067,313
Total	3,364,857	4,439,160	3,400,778	4,174,183

7. Deposits from customers

	Gro	oup	Ва	Bank		
in RON thousands	30.06.2020	31.12.2019	30.06.2020	31.12.2019		
Overnight deposits	33,359,071	30,964,935	32,963,538	30,841,345		
Savings deposits	1,790	1,876	-	-		
Households	1,790	1,876	-	-		
Non-savings deposits	33,357,281	30,963,059	32,963,538	30,841,345		
General governments	2,770,315	2,118,258	2,770,315	2,118,258		
Other financial corporations	1,063,521	814,285	1,114,105	882,258		
Non-financial corporations	10,932,685	11,841,476	10,567,121	11,712,163		
Households	18,590,760	16,189,040	18,511,997	16,128,666		
Term deposits	26,196,783	26,826,845	24,717,731	24,934,079		
Savings deposits	1,382,406	1,819,511	-	-		
Households	1,382,406	1,819,511	-	-		
Non-savings deposits	24,814,377	25,007,334	24,717,731	24,934,079		
General governments	1,751,139	1,976,045	1,751,139	1,976,045		
Other financial corporations	693,847	784,187	759,155	908,442		
Non-financial corporations	5,050,780	5,068,485	5,015,282	4,993,413		
Households	17,318,611	17,178,617	17,192,155	17,056,179		
Deposits from customers	59,555,854	57,791,780	57,681,269	55,775,424		
General governments	4,521,454	4,094,303	4,521,454	4,094,303		
Other financial corporations	1,757,368	1,598,472	1,873,260	1,790,700		
Non-financial corporations	15,983,465	16,909,961	15,582,403	16,705,576		
Households	37,293,567	35,189,044	35,704,152	33,184,845		

8. Debt securities issued

	Gro	oup	Ва	nk
in RON thousands	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Bonds	660,411	784,402	660,411	784,402
Debt securities issued	660,411	784,402	660,411	784,402

As of 30 June 2020, the outstanding nominal amount of bonds issued by the Bank decreased due to matured bonds.

9. Provisions

	Gro	oup	Bank		
in RON thousands	30.06.2020	31.12.2019	30.06.2020	31.12.2019	
Long-term employee provisions	48,361	45,350	48,271	45,259	
Pending legal issues	659,074	657,726	611,519	614,148	
Commitments and guarantees given	74,098	366,440	77,249	369,667	
Provisions for commitments and financial guarantees in Stage 1	22,844	30,766	23,356	30,889	
Provisions for commitments and financial guarantees in Stage 2	26,808	61,822	29,447	64,926	
Provisions for commitments and financial guarantees - Defaulted	24,446	273,852	24,446	273,852	
Provisions for commitments and financial guarantees in Stage 3	8,022	262,587	8,022	262,587	
Provisions for commitments and financial guarantees - POCI	16,424	11,265	16,424	11,265	
Other provisions	970,481	710,095	280,422	20,407	
Restructuring	772	170	115	170	
Provisions for other commitments*	264,321	889	264,321	889	
Other	705,388	709,036	15,986	19,348	
Provisions	1,752,014	1,779,611	1,017,461	1,049,481	

^{*}As at 30 June 2020, the Bank reclassified the guarentees which do not meet the definition of financial guarentees in accordance with Annex 1 of CRR as other commitments. In the statement of financial position, the modification implies a reclassification between provisions related to financial guarentees given (RON -264,321 thousands) and other provisions (RON 264,321 thousands).

As at 31 December 2019, provisions for other commitments included in provisions for commitmens and financial guarantees are in amount of RON 295,266 thousands.



10. Net interest income

	Group		Bank		
in RON thousands	30.06.2020	30.06.2019	30.06.2020	30.06.2019	
Interest and other similar income					
Financial assets at amortised cost	1,284,572	1,239,140	1,239,861	1,195,864	
Financial assets measured at fair value through other comprehensive income	96,662	78,349	95,853	77,226	
Interest income	1,381,234	1,317,489	1,335,714	1,273,090	
Non-trading financial assets at fair value through profit or loss	5	147	5	147	
Financial assets - held for trading	3,784	11,093	3,784	11,093	
Other assets and negative interest from financial liabilities	28,460	34,917	387	4,794	
Other similar income	32,249	46,157	4,176	16,034	
Total interest and other similar income	1,413,483	1,363,646	1,339,890	1,289,124	
Interest and other similar expense Financial liabilities measured at amortised cost	(215,091)	(230,387)	(203,957)	(208,363)	
'	(215 091)	(230 387)	(203 957)	(208 363)	
Interest expenses	(215,091)	(230,387)	(203,957)	(208,363)	
Financial liabilities - held for trading	(1,492)	(5,075)	(1,492)	(5,075)	
Other liabilities	(8,512)	(17,757)	(8,307)	(16,461)	
Negative Interest from financial assets	(555)	(271)	(555)	(271)	
Other similar expenses	(10,559)	(23,103)	(10,354)	(21,807)	
Total Interest and other similar expense	(225,650)	(253,490)	(214,311)	(230,170)	
Net interest income	1,187,833	1,110,156	1,125,579	1,058,954	
Thereof: interest-income on credit impaired financial assets	20,757	19,161	16,656	18,425	



11. Net fees and commissions income

		Group				Bank		
in RON thousands	30.06.2020		30.06.2	2019	30.06.20)20	30.06.2	019
	Income	Expenses	Income	Expenses	Income	Expenses	Income	Expenses
Securities	18,434	(2,811)	15,177	(1,644)	18,434	(2,811)	15,177	(1,644)
Clearing and settlement	3,244	(7,829)	2,925	(6,288)	3,249	(7,766)	2,929	(6,229)
Asset management	19,552		13,500	-	-	-	-	-
Custody	9,102	(2,412)	6,814	(2,293)	9,102	(1,617)	6,814	(1,498)
Payment services	264,961	(74,797)	288,543	(59,410)	262,665	(73,660)	286,682	(58,437)
Card business	70,142	(54,354)	87,493	(38,252)	68,739	(53,578)	86,214	(37,498)
Other	194,819	(20,443)	201,050	(21,158)	193,926	(20,082)	200,468	(20,939)
Customer resources distributed but not managed	66,239	(837)	65,864	(1,785)	63,964	(837)	65,434	(1,785)
Collective investment	17,703	-	14,608	-	17,703	-	14,608	-
Insurance products	37,292	-	38,681	-	33,566	-	35,665	-
Building society brokerage	-	-	-	-	14	-	349	-
Foreign exchange transactions	11,029	(837)	12,430	(1,785)	11,030	(837)	12,431	(1,785)
Other	215	-	145	-	1,651	-	2,381	-
Lending business	25,605	(10,630)	51,306	(11,885)	25,631	(7,663)	51,288	(8,401)
Guarantees given, guarantees received	11,578	(2,774)	12,653	(3,734)	11,592	(1,427)	12,631	(1,250)
Loan commitments given, loan commitments received	6,841		9,241	(1)	6,841	-	9,241	-
Other lending business	7,186	(7,856)	29,412	(8,150)	7,198	(6,236)	29,416	(7,151)
Other	9,974	(1,560)	9,657	(1,608)	8,117	(251)	4,792	(994)
Net fee and commission income	417,111	(100,876)	453,786	(84,913)	391,162	(94,605)	433,116	(78,988)

12. Net trading and fair value result

	Gro	up	Bank		
in RON thousands	30.06.2020	30.06.2019	30.06.2020	30.06.2019	
Net Trading Result					
Securities and derivatives trading	26,705	33,637	26,705	33,637	
Foreign exchange transactions	127,909	138,474	122,915	134,740	
Foreign currency transaltion	(11,692)	(6,898)	(7,779)	(4,592)	
Net Trading Result	142,922	165,213	141,841	163,785	



13. General administrative expenses

	Gro	up	Ban	k
in RON thousands	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Personnel expenses	(411,059)	(395,725)	(348,958)	(344,850)
Wages and salaries	(367,739)	(356,433)	(312,268)	(310,875)
Compulsory social security	(12,236)	(12,967)	(9,697)	(10,832)
Long-term employee provisions	(2,793)	(1,484)	(2,632)	(1,342)
Other personnel expenses	(28,291)	(24,841)	(24,361)	(21,801)
Other administrative expenses	(288,177)	(347,045)	(298,463)	(358,518)
Deposit insurance contribution	(21,081)	(60,207)	(17,973)	(55,221)
IT expenses	(112,525)	(109,082)	(108,290)	(105,599)
Expenses for office space	(46,371)	(47,729)	(43,913)	(45,313)
Office operating expenses	(49,771)	(49,423)	(79,297)	(82,549)
Advertising/marketing	(24,767)	(26,241)	(24,081)	(25,568)
Legal and consulting costs	(12,264)	(33,344)	(10,580)	(31,790)
Sundry administrative expenses	(21,398)	(21,019)	(14,329)	(12,478)
Depreciation and amortisation*	(106,058)	(125,444)	(100,084)	(100,637)
Software and other intangible assets	(37,698)	(42,571)	(35,985)	(40,877)
Owner occupied real estate	(40,623)	(35,034)	(39,734)	(34,190)
Investment properties	(2,647)	(2,651)	(2,647)	(2,651)
Office furniture and equipment and sundry property and equipment	(25,090)	(45,188)	(21,718)	(22,919)
General administrative expenses	(805,294)	(868,214)	(747,505)	(804,005)

^{*}The impact in P&L for 2020 resulted from this change in estimates for useful lives of tangible and intangible assets is RON 24 mil decrease in expense with amortization and depreciation as at 30 June 2020.

The Group number of emplyees at 30 June 2020 was 6,845 (31 December 2019: 6,766).

14. Net impairment loss on financial instruments

	Gro	oup	Ва	nk
in RON thousands	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Financial assets at fair value through other comprehensive income	(5,058)	(758)	(3,150)	(178)
Financial assets at amortised cost	(161,438)	4,424	(151,214)	(278,791)
Net allocation to risk provisions	(366,703)	(18,029)	(351,317)	(286,102)
Direct write-offs	(9,573)	(19,025)	(8,597)	(17,237)
Recoveries recorded directly to the income statement	221,250	51,901	215,107	34,971
Modification gains or losses	(6,412)	(10,423)	(6,407)	(10,423)
Finance lease	(623)	(5,222)	29	(1)
Net allocation of provisions for commitments and guarantees given*	(2,816)	90,330	(2,742)	89,064
Net impairment loss on financial instruments	(169,935)	88,774	(157,077)	(189,906)

^{*} In the statement of profit or loss, the results of change in accounting policy presented in Note 9 - Provisions implies a reclassification between the lines Net impairment loss (RON 22.7mn) and Other operating result.

Impairment result from financial instruments recorded an allocation of RON +169.9 million in H1 2020, as compared to a release of RON 88.8 million in H1 2019. This result has been mainly influenced by updated risk parameters to reflect the economic downturn coupled with the implementation of stricter rules in IFRS 9 Staging process applied to debtors affected by the current situation.

15. Other operating results

	Gre	oup	Bank		
in RON thousands	30.06.2020	30.06.2019	30.06.2020	30.06.2019	
Other income, of which:	291,664	224,944	215,143	161,821	
Other provisions - release*	147,695	86,844	147,338	84,878	
Gains on other assets	84,842	76,235	40,094	48,820	
Other income	59,127	61,865	27,711	28,123	
Other expense, of which:	(348,223)	(994,464)	(238,046)	(598,802)	
Other provisions - allocation**	(111,132)	(768,345)	(103,681)	(443,727)	
Losses on other assets	(75,338)	(47,865)	(34,376)	(24,556)	
Impairment of tangible and intangible assets	(34,276)	(13,220)	(2)	-	
Recovery and resolution fund	(37,203)	(31,362)	(37,194)	(31,357)	
Other taxes	(9,845)	(11,233)	(8,143)	(9,424)	
Other expenses	(80,429)	(122,439)	(54,650)	(89,738)	
Total	(56,559)	(769,520)	(22,903)	(436,981)	

^{*} Please see the explanation above in table "Net impairment loss on financial instruments".

^{**} The increase in the allocation of other provisions at Group level for the first half of 2019 is mainly due to the event regarding the control of Court of Accounts at BpL described in Note 21 - Contingent liabilities and commitments.

16. Taxes on income

	Grou	p	Bank		
in RON thousands	30.06.2020	30.06.2019	30.06.2020	30.06.2019	
Current tax expense/income	(150,957)	(102,531)	(148,042)	(96,587)	
Current period	(150,957)	(59,461)	(148,042)	(53,517)	
Prior period	-	(43,070)	-	(43,070)	
Deferred tax expense/income	(21,913)	(29,656)	(18,201)	(27,184)	
Current period	(21,913)	(29,656)	(18,201)	(27,184)	
Taxes on income	(172,870)	(132,187)	(166,243)	(123,771)	

	Grou	р	Bank		
in RON thousands	30.06.2020	30.06.2019	30.06.2020	30.06.2019	
Pre-tax profit/(loss)	671,749	111,344	644,611	135,121	
Income tax expense for the financial year at the domestic statutory tax rate (16%)	(107,480)	(17,815)	(103,138)	(21,619)	
Impact of tax-exempt earnings of investments and other tax-exempt income	104,438	87,567	104,438	87,567	
Tax increases due to non-deductible expenses, additional business tax and similar elements	(163,796)	(143,722)	(165,223)	(131,502)	
Impact of other elements and deferred tax income/ (expense)	(6,032)	(15,147)	(2,320)	(15,147)	
Tax expense not atributable to the reporting period		(43,070)	-	(43,070)	
Income tax (expense) / release reported in the income statement	(172,870)	(132,187)	(166,243)	(123,771)	
The effective tax rate*	25.73%	118.72%	25.79%	91.60%	

^{*}For June 2020 the effective tax rate was impacted by asigment of receivables for which 70% of the difference between the notional amount receivable (irrespective of coverage percentage with provisions or previously written off) and the selling price represents taxable income.

For June 2019, the effective tax rate was impacted mainly by the increase of non-deductible expenses as a result of the allocation of the provision for BPL case presented in Note 21 – Litigations.

17. Dividends paid

During 2020, no dividends were paid so far. The final decision for dividend distribution was postponed, given the current constraints imposed by the COVID-19 pandemic spread, as well as the European Central Bank and National Bank of Romania recommendation to abstain from any dividend pay-outs in 2020.



18. 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 handling 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 T/O < 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 T/O 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 T/O<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, including municipalities representing local authorities and companies managed by local authorities, central authorities and companies owned by state and public funds.

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 T/O > 50 mio EUR.

c. Local Large Corporates (LLC)

- Companies with an yearly individual turnover above EUR 50 mio;
- Companies part of a local 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.

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 part of a group with a consolidated yearly turnover above EUR 500 mio (regardless of the company's individual turnover 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);
- All RE existing and targeted clients by Group and local RE business, regardless project value;
- 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:

f. 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;
- **g. Treasury (GMT):** principally providing money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading;
- h. 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



Statement of Income	Group	Retail	Corporates	ALM & Local Corporate Center	GM
in RON thousands	30.06.2020				
Net interest income	1,187,833	733,834	294,405	156,418	3,176
Net free and commission income	316.235	230,404	77,566	(9,592)	17,857
Dividend income	3.312	230,404	39	3.273	17,007
Net trading result	142.922	53.968	41.075	4.618	43.261
Gain/(losses) from financial instruments measured at fair value through profit or loss	(25)	(3,177)	1,643	1,509	-
Net result from equity method investments	(442)	-	_	(442)	_
Rental income from investment properties & other operating leases	53,702	-	51,765	1,937	-
General administrative expenses	(805,294)	(619,324)	(128,777)	(46,461)	(10,732)
Net impairment loss on financial instruments	(169,935)	(193,912)	33,949	(8,835)	(1,137)
Other operating result	(56,559)	(11,612)	(26,908)	(14,764)	(3,275)
Pre-tax result from continuing operations	671,749	190,181	344,757	87,661	49,150
Taxes on income	(172,870)	(29,857)	(57,528)	(77,621)	(7,864)
Net result for the period	498,879	160,324	287,229	10,040	41,286
Net result attributable to non-controlling interests	2	-	-	2	-
Net result attributable to owners of the parent	498,877	160,324	287,229	10,038	41,286
Operating income	1,703,537	1,015,029	466.493	157,721	64,294
Operating expenses	(805,294)	(619,324)	(128,777)	(46,461)	(10,732)
Operating result	898,243	395,705	337,716	111,260	53,562
					•
Cost income ratio	47.3%	61.0%	27.6%	29.5%	16.7%



Statement of Income	Group	Retail	Corporates	ALM & Local Corporate Center	GM
in RON thousands	30.06.2019				
Net interest income	1 110 150	745.000	307,123	FO 055	4.540
	1,110,156	745,868		52,655	4,510
Net fee and commission income	368,873	251,923	104,520 40	(3,550)	15,979
Dividend income Net trading result	2,359 165,213	14,086 48,612	48,543	(11,767) 18.118	49.941
Gain/(losses) from financial instruments measured at fair value through profit or loss	(2.285)	(863)	(1,856)	434	49,941
Net result from equity method investments	(1.555)	-	- (1,000)	(1.555)	_
Rental income from investment properties & other operating leases	47,484	-	44,660	2,824	-
General administrative expenses	(868,214)	(621,019)	(174,605)	(60,807)	(11,782)
Gains/(losses) from derecognition of financial assets measured at amortised cost	(505)	_	_	(505)	-
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(29,436)	-	-	(29,436)	-
Net impairment loss on financial instruments	88,774	(41,530)	119,884	8,615	1,805
Other operating result	(769,520)	(703,839)	(36,346)	(26,541)	(2,794)
Pre-tax result from continuing operations	111,344	(306,761)	411,961	(51,515)	57,659
Taxes on income	(132,187)	(66,002)	(67,265)	10,306	(9,225)
Net result for the period	(20,843)	(372,763)	344,696	(41,210)	48,434
Net result attributable to non-controlling interests	6		-	6	
Net result attributable to owners of the parent	(20,849)	(372,763)	344,696	(41,216)	48,434
Operating income	1,690,245	1,059,627	503,029	57,159	70,430
Operating expenses	(868,214)	(621,019)	(174,605)	(60,807)	(11,782)
Operating result	822,031	438,608	328,423	(3,648)	58,648
Cost income ratio	51.4%	58.6%	34.7%	106.4%	16.7%



Statement of Income	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
in RON thousands	30.06.2020				
Net interest income	1,125,579	718,059	252,025	152,319	3,176
Net fee and commission income	296.557	212,882	74.353	(8,535)	17,857
Dividend income	3.274	- 212,002	74,000	3.274	17,007
Net trading result	141,841	54,000	39,620	4,960	43,261
Gain/(losses) from financial instruments measured at fair value through profit or loss	(25)	(3,177)	1,643	1,509	-
Rental income from investment properties & other operating leases	4,870	-	-	4,870	_
General administrative expenses	(747,505)	(597,502)	(103,425)	(35,846)	(10,732)
Net impairment loss on financial instruments	(157,077)	(197,051)	46,171	(5,060)	(1,137)
Other operating result	(22,903)	(9,143)	16,295	(26,780)	(3,275)
Pre-tax result from continuing operations	644,611	178,068	326,682	90,711	49,150
Taxes on income	(166,243)	(28,491)	(52,269)	(77,619)	(7,864)
Net result for the period	478,368	149,577	274,413	13,092	41,286
Operating income	1,572,096	981,764	367,641	158,397	64,294
Operating expenses	(747,505)	(597,502)	(103,425)	(35,846)	(10,732)
Operating result	824,591	384,262	264,216	122,551	53,562
Cost income ratio	47.5%	60.9%	28.1%	22.6%	16.7%



Statement of Income	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
in RON thousands	30.06.2019				
Net interest income	1.058.954	733,386	267,850	53,208	4,510
Net fee and commission income	354,128	237,646	103,658	(3,155)	15,979
Dividend income	15.784	14,086	-	1.698	10,070
Net trading result	163.785	48.734	46.656	18.454	49,941
Gain/(losses) from financial instruments measured at fair value through profit or loss	(2,285)	(863)	(1,856)	434	-
Rental income from investment properties & other operating leases	5,588	-	_	5,588	_
General administrative expenses	(804,005)	(598,745)	(132,268)	(61,210)	(11,782)
Gains/(losses) from derecognition of financial assets measured at amortised cost	(505)	-	-	(505)	-
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss	(29,436)	-	-	(29,436)	-
Net impairment loss on financial instruments	(189,906)	(46,275)	124,209	(269,645)	1,805
Other operating result	(436,981)	20,147	(27,006)	(427,328)	(2,794)
Pre-tax result from continuing operations	135,121	408,117	381,242	(711,898)	57,659
Taxes on income	(123,771)	(65,299)	(60,999)	11,752	(9,225)
Net result for the period	11,350	342,818	320,244	(700,146)	48,434
Operating income	1,595,954	1,032,990	416,307	76,227	70,430
Operating expenses	(804,005)	(598,745)	(132,268)	(61,210)	(11,782)
Operating result	791,949	434,246	284,040	15,016	58,648
Cost income ratio	50.4%	58.0%	31.8%	80.3%	16.7%



in RON thousands				30.06.2020	Group
	Group	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash balances	10,572,625	3,614,207	537,305	6,421,113	-
Financial assets held for trading	567.507	-	55	10.823	556.629
Derivatives	63,619	-	55	10,823	52,741
Other financial assets held for trading	503.888	-	-	-	503,888
Non-trading financial assets at fair value through profit or loss	90.319	29,886	2.034	58.399	-
Equity instruments	36.794	29,886	254	6,654	_
Debt securities	51.745		-	51,745	_
Loans and advances to customers	1.780	-	1.780	-	_
Financial assets at fair value through other comprehensive income	6,155,400	-	44,961	6,110,439	_
Debt securities	6,155,400	_	44,961	6,110,439	
Financial assets at amortised cost	54.217.407	26.373.524	14.966.735	12.586.279	290.869
Debt securities	14,920,580	762.944	290.157	13,867,479	200,000
Loans and advances to banks	438.730	1.403.095	808	(1.256.035)	290.862
Loans and advances to customers	38,858,097	24,207,485	14,675,770	(25,165)	7
Finance lease receivables	1,197,003	24,207,403	1,219,652	(22.649)	-
Property and equipment	987,193	5,279	486,568	495,346	
Investment property	145.564	5,279	460,306	145.564	
	347.742	2,672	6,052	339,018	
Intangible assets	28,646	2,672	900		
Investments in joint ventures and associates	28,646	2.291	900	27,746 204.445	-
Current tax assets					
Deferred tax assets	163,258	273	7,042	155,943	
Assets held for sale	668,794	-	-	668,794	-
Trade and other receivables	475,242	11,246	259,649	187,319	17,028
Other assets	385,231	81,110	121,890	182,214	17
Total assets	76,208,762	30,120,488	17,652,938	27,570,793	864,543
Liabilities and Equity					
Financial liabilities held for trading	51,002	-	-	1,544	49,458
Derivatives	51.002			1.544	49,458
Financial liabilities measured at amortised cost	64,418,315	41,630,711	19,139,887	1,627,248	2,020,469
Deposits from banks	3.364.857	67.228	2.435.727	370.024	491,878
Deposits from customers	59.555.854	41,477,619	16.621.403	(43,061)	1,499,893
Debt securities issued	660,411		10,021,400	660,411	1,400,000
Other financial liabilities	837.193	85,864	82.757	639,874	28,698
Finance lease liabilities	398,154	4,513	40.797	352,844	20,090
Provisions Provisions	1,752,014	1,184,973	351,338	215,101	602
Current tax liabilities	1,752,014	1,104,973	1.157	213,101	
Deferred tax liabilities	9.625	9.587	38		-
	218,185	9,567	36	249.405	
Liabilities associated with assets held for sale	388,732		10.004	218,185	<u> </u>
Other liabilities			49,864	330,388	
Total equity	8,971,578	2,301,439	2,419,575		88,331
Total liabilities and equity	76,208,762	45,139,185	22,002,656	6,907,543	2,159,378



in RON thousands				31.12.2019	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 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	4,439,160	66,572	2,364,830	947,375	1,060,383
Deposits from customers	57,791,780	39,450,395	16,993,625	(84,647)	1,432,407
Debt securities issued	784,402	_	_	784,402	-
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	_
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



in RON thousands				30.06.2020	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash balances	10,087,198	3,569,595	-	6,517,603	-
Financial assets held for trading	567,507	-	55	10,823	556,629
Derivatives	63,619	-	55	10,823	52,741
Other financial assets held for trading	503,888	-	-	-	503,888
Non-trading financial assets at fair value through profit or loss	90,066	29,886	1,780	58,400	-
Equity instruments	36,541	29,886	-	6,655	-
Debt securities	51.745	-	-	51.745	-
Loans and advances to customers	1,780	-	1,780	-	-
Financial assets at fair value through other comprehensive income	6,110,438	-	-	6,110,438	-
Debt securities	6,110,438	-	-	6,110,438	-
Financial assets at amortised cost	53,129,957	24,025,270	13,803,650	15,010,168	290,869
Debt securities	14,087,718	-	220,239	13,867,479	-
Loans and advances to banks	434,212	-	-	143,350	290,862
Loans and advances to customers	38,608,027	24,025,270	13,583,411	999,339	7
Finance lease receivables	9,815	-	-	9,815	-
Property and equipment	885,918	-	-	885,918	-
Investment property	145,564	-	-	145,564	-
Intangible assets	338,833	-	-	338,833	-
Investments in joint ventures and associates	21,570	-	-	21,570	-
Current tax assets	204.436	-	-	204.436	-
Deferred tax assets	154,800	-	-	154,800	-
Assets held for sale	204.134	-	_	204.134	-
Trade and other receivables	461,108	7,753	223.288	213,039	17,028
Investments in subsidiaries	488,077	-	,	488,077	-
Other assets	246.677	23,235	294	223.131	17
Total assets	73,146,098	27,655,739	14,029,067		864,543
Liabilities and Equity					
Financial liabilities held for trading	51.002	_	_	1.544	49,458
Derivatives	51,002			1.544	49,458
Financial liabilities measured at amortised cost	62,566,432	40,174,795	15,978,525	4,392,643	2.020,469
Deposits from banks	3.400.778	577	203	2.908.120	491,878
Deposits from customers	57.681.269	40.093.424	15.917.043	170.909	1.499.893
Debt securities issued	660,411		10,017,040	660,411	1,400,000
Other financial liabilities	823.974	80,794	61.279	653,203	28,698
Finance lease liabilities	395,000	00,794	01,219	395,000	20,090
Provisions Provisions	1,017,461	463,710	330,633	222.516	602
Other liabilities	333,938	856	45	332,519	518
	8,782,265	2,087,992	2.126.900	4,479,042	88,331
Total equity			, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
Total liabilities and equity	73,146,098	42,727,353	18,436,103	9,823,264	2,159,378



in RON thousands				31.12.2019	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 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	20.,0.0	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	4,174,183	57,702,302	189	3,113,039	1,060,383
Deposits from customers	55.775.424	37.629.009	16,502,468	211.540	1.432.407
Debt securities issued	784,402	37,029,009	10,302,408	784,402	1,432,407
Other financial liabilities	661,949	72,781	67,734	502,987	18,447
Finance lease liabilities	323,721	12,781	01,734	323,721	10,447
Provisions	1,049,481	600,795	351,355	96,724	607
Other liabilities	293.240	000,795	301,333	293,240	507
	8,305,054	2,408,151	2,056,247	3,774,497	66,159
Total equity					



19. 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 30 June 2020 and 31 December 2019 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Transactions with parent

When establishing the transfer prices in intra-group transactions, BCR takes into account the provisions of the national tax legislation, as well as the OECD transfer pricing guidelines.

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.

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.

The following transactions were carried out with related parties:



19. Related-party transactions and principal shareholders (continued)

Balances and off-balace exposures with related parties								Group
			2020				2019	
in RON thousands	Parent	Associates	Key management personnel	Other related parties	Parent	Associates	Key management personnel	Other related parties
Total assets	474,705	50,809	9,171	37,827	569,873	43,027	9,804	183,239
Cash and cash equivalents	408,902	-	-	-	48,289	-	-	100,984
Derivative financial instruments	17,545	-	-	-	3,643	-	-	-
Equity investments		21,570	-	27,828	-	24,553	-	17,833
Loans and advances	48,258	29,239	9,171	9,999	491,117	18,474	9,802	34,408
Loans and advances to banks	48,258	-	-	. 11	491,117	-	-	28,974
Loans and advances to customers	-	29,239	9,171	9,988	-	18,474	9,802	5,434
Trade and other receivables	-	-	-	-	26,824	-	2	4,669
Other assets	-	-	-	-	-	-	-	25,345
Total liabilities	2,032,807	43,614	10,175	165,587	2,512,348	44,018	9,312	169,369
Deposits	1,990,473	43,614	10,175	165,587	2,433,879	44,018	9,307	127,565
Deposits from banks	1,990,473	-	-	1,168	2,433,879	-	-	3,641
Deposits from customers	-	43,614	10,175	164,419	-	44,018	9,307	123,924
Derivative financial instruments	42,334	-	-		66,203	-	-	-
Other liabilities	-	-	-	-	12,266	-	5	41,804
Loans commitments, financial guarantees and other commitments given -Irrevocable [notional amount]	1,418	-		15,000	30,668	-	481	70,338
Loans commitments, financial guarantees and other commitments given -Revocabile [notional amount]	9,550	20,792	464	88,004	-	31,563	-	82,583
of which: defaulted					30,668	-	481	70,338
Loan commitments, financial guarantees and other commitments received	242,115				238,965	-		-
Derivatives [notional amount]	6,289,082				5,946,763	-		-

Related parties: expenses and income generated by transactions with related parties			2020				2019	Group
in RON thousands	Parent	Associates	Key management personnel	Other related parties	Parent	Associates	Key management personnel	Other related parties
Interest income	12,143	525	179	498	21,493	-	243	401
Interest expenses	(33,831)	(587)	(4)	(664)	(46,283)	(316)	(9)	(2,206)
Dividend income	-	-	-	2,367	-	926	-	1,009
Fee and commission income	2,702	23	15	43,285	2,265	1	18	49,534
Fee and commission expenses	(4,138)	-	-	(353)	(5,361)	-	-	81
Profit before tax income/(expense)	(23,125)	(39)	190	45,133	(27,886)	611	252	48,819



19. Related-party transactions and principal shareholders (continued)

Balances and off-balace exposures with related parties										Bank
			2020					2019		
in RON thousands	Parent	Subsidiaries	Associates	Key management personnel	Other related parties	Parent	Subsidiaries	Associates	Key management personnel	Other related parties
Total assets	170,640	1,493,378	50,809	9,171	37,827	543,049	1,144,258	35,509	9,804	150,363
Cash and cash equivalents	104,837	-	-	-	-	48,289	-	-	-	93,453
Derivative financial instruments	17,545	-	-	-	-	3,643	-	-		-
Equity investments*	-	499,978	21,570	-	27,828	-	499,977	17,035	-	17,833
Loans and advances	48,258	993,400	29,239	9,171	9,999	491,117	635,561	18,474	9,802	34,408
Loans and advances with credit institutions	48,258	986,747	-	-	11	491,117	1,392	-	-	28,974
Loans and advances with customers	-	6,653	29,239	9,171	9,988	-	634,169	18,474	9,802	5,434
Trade and other receivables						26,824	63	-	2	4,669
Other assets						-	8,657	-	-	
Total liabilities	1,351,183	1,498,328	43,614	10,175	165,587	2,469,411	1,371,367	38,590	10,706	155,528
Deposits	1,308,849	1,498,328	43,614	10,175	165,587	2,469,411	1,371,367	38,590	10,706	155,528
Deposits by banks	1,308,849	1,323,003	-	-	1,168	2,469,411	1,200,828	-	-	-
Deposits by customers	-	175,325	43,614	10,175	164,419	-	170,539	38,590	10,706	155,528
Derivative financial instruments	42,334	-	-	-	-	77,416	-	-	-	-
Loans commitments, financial guarantees and other commitments given -	1,418	2,148			15,000	10,285			412	20,463
Irrevocable [notional amount]	1,410	2,140			15,000	10,205			412	20,403
Loans commitments, financial guarantees and other commitments given -	9,550	908,410	20,792	464	88,004					147,736
Revocabile [notional amount]	9,550	900,410	20,792	404	00,004				-	147,736
Loan commitments, financial guarantees and other commitments received	242,115					236,755				
Derivatives [notional amount]	6,289,082					6,930,712	200,295			

^{*}The amount includes the investment in CIT ONE reclasified as asset held for sale in amount of RON 11,900 thousands.

Related parties: expenses and income generated by transac	dono with rolatou	541 1100	2020					2019		Bank
in RON thousands	Parent	Subsidiaries	Associates	Key management personnel	Other related parties	Parent	Subsidiaries	Associates	Key management personnel	Other related parties
Interest income	12,086	10,516	525	179	94	21,493	12,895	-	243	401
Interest expenses	(29,309)	(16,186)	(587)	(4)	(664)	(39,962)	(14,690)	(316)	(9)	(2,206)
Dividend income	-	-	-	-	2,367	-	12,538	926	-	1,009
Fee and commission income	2,702	994	23	15	43,285	2,257	3,378	1	18	49,534
Fee and commission expenses	(1,626)	(2)	-	-	(353)	(2,846)	-	-	-	81
Profit before tax income/(expense)	(16,148)	(4,678)	(39)	190	44,729	(19,058)	14,121	611	252	48,819



20. 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 both at 31 December 2019 and 30 June 2020.

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.

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 of the 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.

20.1. Financial instruments 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 half year:



20.1. Financial instruments whose fair value is disclosed in the notes (continued)

										30.06.2020
			Group					Bank		
in RON thousands	Carrying	Fair value -	Fair	value hierarl	hy	Carrying	Fair value -	Fair	value hierarl	ny
	amount	rair value =	Level 1	Level 2	Level 3	amount	rair value =	Level 1	Level 2	Level 3
Assets										
Cash and cash balances	10,572,625	10,572,625	10,572,625	-	-	10,087,198	10,087,198	10,087,198	-	-
Financial assets at amortised cost	54,217,407	56,537,895	14,595,433	205,642	41,736,820	53,129,957	55,480,712	13,834,465	132,584	41,513,663
Loans and advances to banks	438,730	438,274	-	-	438,274	434,212	434,524	-	-	434,524
Loans and advances to customers	38,858,097	41,159,589	-	-	41,159,589	38,608,027	40,940,311	-	-	40,940,311
Debt securities	14,920,580	14,940,032	14,595,433	205,642	138,957	14,087,718	14,105,877	13,834,465	132,584	138,828
Finance lease receivables	1,197,003	1,197,003	-	-	1,197,003	9,815	9,815	-	-	9,815
Trade and other receivables	475,242	503,754	-	-	503,754	461,108	484,524	-	-	484,524
Liabilities										
Financial liabilities measured at amortised cost	64,418,315	64,383,264	-	695,154	63,688,110	62,566,432	62,357,152	-	695,154	61,661,998
Deposits from banks	3,364,857	3,561,844	-	-	3,561,844	3,400,778	3,424,350	-	-	3,424,350
Deposits from customers	59,555,854	59,289,073	-	-	59,289,073	57,681,269	57,413,674	-	-	57,413,674
Debt securities in issue	660,411	695,154	-	695,154	-	660,411	695,154	-	695,154	-
Other financial liabilities	837,193	837,193	-	-	837,193	823,974	823,974	-	-	823,974
Finance lease liabilities	398,154	398,154	-	-	398,154	395,000	395,000	-	-	395,000



20.1 Financial instruments whose fair value is disclosed in the notes (continued)

										31.12.2019
	•		Group					Bank		
in RON thousands	Carrying	Fair value -	Fair	value hiera	rhy	Carrying	Fair value	Fair	value hiera	rhy
	amount	raii value -	Level 1	Level 2	Level 3	amount	raii value	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



20.1. Financial instruments 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 held to maturity 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.



20.2. Financial instruments measured at fair value in the statement of financial position

								Group
in RON thousands	Quoted market p markets I		ve Marked to model based on observable market data Level 2 Marked to model based on non-observable inputs Level 3			ole inputs	Tota	I
Assets	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Financial assets held for trading	337,164	389,256	228,779	38,272	1,564	1,828	567,507	429,356
Derivatives	-	-	62,055	38,272	1,564	1,828	63,619	40,100
Other financial assets held for trading	337,164	389,256	166,724	-	-	-	503,888	389,256
Non-trading financial assets at fair value through profit or loss	2,754	2,949	1,070	-	86,495	90,923	90,319	93,872
Equity instruments	2.754	2.949	1.070	-	32.970	37,439	36,794	40,388
Debt securities	-,		,	-	51.745	49,922	51.745	49,922
Loans and advances	-	-	-	-	1,780	3,562	1,780	3,562
Financial assets at fair value through other comprehensive income	6,046,676	6,109,769	96,131	1,942	12,593	6,133	6,155,400	6,117,844
Equity instruments	-	-	-	-	-	-	-	-
Debt securities	6,046,676	6,109,769	96,131	1,942	12,593	6,133	6,155,400	6,117,844
Total assets	6,386,594	6,501,974	325,980	40,214	100,652	98,884	6,813,226	6,641,072
Liabilities								
Financial liabilities - held for trading		-	51.002	73,498	-	-	51.002	73,498
Derivatives		-	51,002	73,498	-	-	51,002	73,498
Total liabilities	-	-	51,002	73,498		-	51,002	73,498

								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	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Financial assets held for trading	337,164	389,256	228,779	38,272	1,564	1,828	567,507	429,356
Derivatives	-	-	62,055	38,272	1,564	1,828	63,619	40,100
Other financial assets held for trading	337,164	389,256	166,724	-	-	-	503,888	389,256
Non-trading financial assets at fair value through profit or loss	2,754	2,949	1,070	-	86,242	90,671	90,066	93,620
Equity instruments	2,754	2,949	1,070	-	32,717	37,187	36,541	40,136
Debt securities	-	-	-	-	51,745	49,922	51,745	49,922
Loans and advances	-	-	-	-	1,780	3,562	1,780	3,562
Financial assets at fair value through other comprehensive income	6,046,676	6,109,769	58,758	-	5,004	6,133	6,110,438	6,115,902
Debt securities	6,046,676	6,109,769	58,758	-	5,004	6,133	6,110,438	6,115,902
Total assets	6,386,594	6,501,974	288,607	38,272	92,810	98,632	6,768,011	6,638,878
Liabilities							-	
Financial liabilities - held for trading	-	-	51,002	73,498	-	-	51,002	73,498
Derivatives	-	-	51,002	73,498	-	-	51,002	73,498
Total liabilities	-	-	51,002	73,498	-	-	51,002	73,498

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.



20.2. Financial instruments measured at fair value in the statement of financial position (continued)

Financial assets at fair value through other comprehensive income includes:

- 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.

20.3. 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 June 2020, 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.



20.3. Valuation of level 3 financial instruments (continued)

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	Sales	Transfers into Level 3	Transfers out of Level 3	Currency translation	Balance
Assets	01.01.2020						-	30.06.2020
Financial assets held for trading	1.828	(264)	-	-	-	-	-	1.564
Derivatives	1.828	(264)	-	-	-	-	-	1.564
Non-trading financial assets at fair value through profit or	90.923	333		(3.424)		(1.375)	1	86.495
loss	90.923	333	-	(3.424)	•	(1.575)	1	00.490
Equity instruments	37.439	(3.095)	-	-	-	(1.375)	1	32.970
Debt securities	49.922	1.786	-	-	-	-	-	51.745
Loans and advances	3.562	1.642	-	(3.424)	-	-	-	1.780
Financial assets at fair value through other	6.133	(0)	(4.400)		7 507		52	12.593
comprehensive income	0.133	(6)	(1.123)	-	7.537	-	52	12.593
Debt securities	6.133	(6)	(1.123)	-	7.537	-	52	12.593
Total assets	98.884	63	(1.123)	(3.424)	7.537	(1.375)	53	100.652

								Group
in RON thousands	Balance	Gain/loss in profit or loss	Gain/loss in other comprehensive income	Sales	Transfers into Level 3	Transfers out of Level 3	Currency translation	Balance
Assets	01.01.2019							30.06.2019
Financial assets held for trading	2.133	55	-					2.188
Derivatives	2.133	55	-				-	2.188
Non-trading financial assets at fair value through profit or loss	36.995	(2.280)	-					34.715
Equity instruments	31.075	(575)	-					30.500
Loans and advances	5.920	(1.705)	-					4.215
Financial assets at fair value through other comprehensive income	46.738	-	14.785					61.523
Equity instruments	40.721	-	13.457				-	54.178
Debt securities	6.017	-	1.328					7.345
Total assets	85.866	(2.225)	14.785					98.426



20.3. Valuation of level 3 financial instruments (continued)

							Bank
in RON thousands	Balance	Gain/loss in profit or loss	Gain/loss in other comprehensive income	Sales	Transfers out of Level 3	Currency translation	Balance
Assets	01.01.2020						30.06.2020
Financial assets held for trading	1,828	(264)		-	-	-	1,564
Derivatives	1,828	(264)	-	-	-	-	1,564
Non-trading financial assets at fair value through profit or	90.671	370		(3,424)	(1,375)	-	86,242
loss				(-, ,			<u> </u>
Equity instruments	37,187	(3,095)	•	-	(1,375)	-	32,717
Debt securities	49,922	1,823	-	-	-	-	51,745
Loans and advances	3,562	1,642	-	(3,424)	-	-	1,780
Financial assets at fair value through other	6,133	(6)	(1,123)	_		_	5,004
comprehensive income	0,100	(0)	(1,120)				3,004
Debt securities	6,133	(6)	(1,123)	-	-	-	5,004
Total assets	98,632	100	(1,123)	(3,424)	(1,375)		92,810

							Bank
in RON thousands		Gain/loss in profit or loss	Gain/loss in other comprehensive income	Sales	Transfers out of Level 3	Currency translation	
Assets	01.01.2019						30.06.2019
Financial assets held for trading	2,875	(281)	-	-		-	2,594
Derivatives	2,875	(281)	-	-	-	-	2,594
Non-trading financial assets at fair value through profit or loss	38,885	2,060	-	(3,628)		-	37,317
Equity instruments	18,276	2,480	-	-	-	-	20,756
Loans and advances	20,609	(420)	-	(3,628)	-	-	16,561
Financial assets at fair value through other comprehensive income	33,846	-	6,748	-		-	40,594
Equity instruments	33,846	-	6,748	-	-	-	40,594
Total assets	75,606	1,779	6,748	(3,628)			80,505



21. Legal claims and contingent liabilities

As of June 30, 2020, the Bank was engaged, in the normal course of business, in a number of 3,120 litigations as defendant.

From the viewpoint of the management, based on the assessment of the Legal Division and of the external lawyers/consultants, as the case may be, the results of these cases will not generate significant losses, other than those considered in the calculation of provisions and contingent liabilities as of June 30, 2020.

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 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.

Following the decision of the HCCJ, BpL started the process of calculating the amounts to pay to Ministry of Public Works, Development and Administration ("MPWDA"), based on the measures won by the Court of Accounts to establish the value of the alleged prejudice, consisting of state subsidies, interest and penalties.

In applying the decision of the Court of Accounts, on 20 September 2019, the Bank made a partial payment of RON 50.9 million to the Ministry of Public Works, Development and Administration "MPWDA" and, at present, is in the process of establishing the final value of the alleged prejudice. The term of implementation (1st of June 2020, according to the agreement of the Court of Accounts given by Decision no.17/2/2015/25.03.2020) was extended, the new deadline is October 1st, 2020.

The following legal actions are started by BpL following HCCJ Decision of 21.06.2019:

- In Romania: HCCJ Decision No. 3541/21 June 2019 was challenged, the bank filing two extraordinary appeals:
 - Revision: hearings set for November 18, 2020 and
 - Contestation for annulment: hearings set for September 09, 2020.
- At European level: Legal action for damages before the European Court for Human Rights filed on January 18th, 2020 case No. 4558/20 BCR Banca pentru Locuinte SA vs. Romania.



21. Legal claims and contingent liabilities (continued)

Tax related litigations

Transfer prices and related withholding tax (WHT)

Between May 3, 2016 - July 9, 2017, BCR was the subject of a tax inspection aimed at verifying the calculation of corporate tax and value added tax between January 1, 2012 - December 31, 2015. The main aspects verified by the Romanian tax authorities were the intragroup transactions carried out by BCR with its affiliated parties during the investigated period, with an emphasis on financial transactions.

Following the fiscal control, the Romanian tax authorities established adjustments of the transfer prices to the detriment of the Bank in the amount of RON 641,136,577 resulting in an additional expense with a corporate tax of RON 102,581,852 as of June 30, 2017, for the entire verified period, respectively 2012-2015. The resulting additional corporate tax receivable was added to the existing balance on June 30, 2017.

Between 10.04.2019 - 22.04.2019, BCR was the subject of a partial fiscal inspection with the aim of verifying the withholding tax applied on the income obtained from Romania by non-residents, due for the period 01.01.2014 - 31.12.2015.

On 15.05.2019, the company was forwarded the Fiscal Inspection Report and the Taxation Notice, issued based on the control conducted. Thus, the tax authorities established an additional main tax liability in the amount of RON 43,070,398 representing the withholding tax applied on the income obtained from Romania by non-residents, in connection with the interest income in the amount of RON 226,119,588 paid by BCR to Erste and deemed by the tax authorities above the market price, according to the adjustments of transfer prices made by the Romanian tax authorities during the previous fiscal control completed during 2017.

Regarding the part of the findings of the tax authorities during the fiscal inspection completed in 2017, related to the transfer prices used in the transactions carried out by BCR with the Erste Group, BCR initiated the MAP procedure, within EUAC, considering that the adjustment of transfer prices established by ANAF for 2012-2015 generated double taxation in Austria and Romania.

Regarding the other findings of the tax authorities, within the fiscal inspections completed in 2017 and 2019, respectively, in connection with the corporate tax and the withholding tax applied on the income obtained from Romania by non-residents, BCR initiated local actions in court, challenging ANAF's conclusions.

As of 30.06.2020, both the MAP procedure and the court actions are in progress.

Considering the decisions of the Romanian tax authorities to adjust the tax bases, respectively to establish an additional corporate tax due for the period 2012 - 2015 and a withholding tax applied on the income obtained from Romania by non-residents additionally due for the period 2014 - 2015, the Bank analyzed the need to book a provision for a possible obligation regarding additional payment amounts for the corporate tax, respectively the withholding tax applied on the income obtained from Romania by non-residents, related to the period 2016-2019.

In accordance with the stipulations of IAS 37 "Provisions, assets and contingent liabilities", a provision is recognized only if the following conditions are met:

- the entity has a current obligation resulting from past events;
- it is likely that an outflow of economic resources is necessary to settle this obligation;
- the value of the obligation can be adequately estimated.

Based on the viewpoints of tax consultants and external lawyers and based on existing information and analyses, the Bank's leadership deems that it is more than likely that the Bank will win in court against the Romanian tax authorities.

Considering the results of the analysis performed by the Bank's leadership mentioned above, according to which it is unlikely that an outflow of economic resources will occur in the future, as well as the stipulations of IAS 37 "Provisions, assets and contingent liabilities", it was concluded that, as of 30.06.2020, the conditions for booking a provision in connection with a possible obligation resulting from the fiscal treatment of intragroup transactions applied by the Bank in the period 2016-2019 are not met.



21. Legal claims and contingent liabilities (continued)

Impairment of subsidiaries

In 2017, during the fiscal control carried out by the tax authorities, the Bank's Management requested deductibility in connection with the expenses generated by the depreciation of securities held in subsidiaries recognized in the verified period (2012-2015), argued on the basis of the provisions of the Fiscal Code valid during those periods.

In accordance with the legal provisions in force during the analyzed period, it is mentioned that the adjustments related to the depreciation of the registered financial assets are deductible from a fiscal point of view. The tax legislation did not contain any restrictions in this regard, which results both from the Substantiation Report of the amendments to the Fiscal Code and from the Fiscal Guide for the transition to IFRS.

The tax authorities rejected the arguments of the Bank's Management and deemed that the adjustments registered for the depreciation are not tax deductible.

The Bank's Management maintained its position mentioned above and included the related amounts in the appeal filed with the Tax Authorities.

Based on the opinions of tax consultants and external lawyers, the Bank's leadership deems that it is more than likely that the Bank will win in court against the Romanian tax authorities.

Thus, an asset of corporate tax nature, in connection with the expenses related to the depreciation of the securities held in subsidiaries during 2012 - 2015, deductible expenses according to the provisions of the Fiscal Code valid in that period, was recognized in 2017. This asset was the subject of several successive independent assessments in the following period, assessments on the basis which this asset was maintained both at the end of 2019 and on 30.06.2020. We would like to mention that until the final settlement of the litigation, the Bank did not reclassify in deductible expenses the amounts generated by these events.

The Bank's leadership challenged the results of the fiscal inspections using the available legal means, the related litigations being in progress.

BFP litigation

On December 23, 2016, BFP received a request from the Bucharest City Hall through the International Court of Arbitration of the International Chamber of Commerce, consisting of amounts due from the partnership agreements from 2001 to 2013. The litigation was settled by an arbitration court consisting of 3 arbitrators: one arbitrator appointed by each party and a third appointed by the International Court of Arbitration. On 14.10.2019, the International Court rejected the request made by the Bucharest City Hall against BCR (BFP). The Bucharest City Hall filed an action for the annulment of the arbitral award, the case being pending before the Bucharest Court of Appeal. Hearing – not set.

Until the date of publication of these financial statements, there were no significant changes in the litigations presented in the financial statements as at 31.12.2019.



22. Subsequent events

No material subsequent events occured after the balance sheet date, that were not included in the financial statements.

AUTHORISED PERSON

Name and first name
Signature

Executive Vice-President

Elke Meier

AUTHORISED PERSON
Name and first name
Signature
Executive Director Accounting Division

Gina Badea